

FIRST MIDWEST BANCORP INC  
Form 424B3  
January 20, 2016  
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-208781

January 20, 2016

Dear NI Bancshares Stockholder:

You are cordially invited to attend a special meeting of the stockholders of NI Bancshares Corporation. ( NI Bancshares ), which will be held at DeKalb County Farm Bureau, located at 1350 W. Prairie Drive, Sycamore, Illinois, 60178 on February 25, 2016, at 10:30 a.m Central Time. At the meeting, you will be asked to approve and adopt the Agreement and Plan of Merger, dated as of November 12, 2015, that NI Bancshares has entered into with First Midwest Bancorp, Inc. ( First Midwest ) and the transactions contemplated thereby, including the merger of NI Bancshares with and into First Midwest. The accompanying proxy statement/prospectus provides you with detailed information about the merger. In addition to being a proxy statement of NI Bancshares, this document is also the prospectus of First Midwest for shares of First Midwest common stock that will be issued to you in connection with the merger.

After careful consideration, NI Bancshares board of directors unanimously recommends that you vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.

If the merger is completed, you will receive 2.8858 shares of First Midwest common stock (the exchange ratio ), plus \$13.17 in cash (without interest thereon), in exchange for each share of NI Bancshares common stock that you hold immediately prior to the completion of the merger. NI Bancshares will have a right to terminate the merger agreement if the volume weighted average price of First Midwest common stock during a specified period before the effective time of the merger both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, if NI Bancshares elects to terminate the merger agreement under these circumstances, First Midwest may, but is not obligated to, elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances. See Summary You Will Receive Cash and Shares of First Midwest Common Stock in the Merger and The Merger Agreement Merger Consideration in the accompanying proxy statement/prospectus for more information regarding the terms and conditions of the consideration to be received in the merger.

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First Midwest common stock trades on the NASDAQ Stock Market under the symbol FMBI. The following table shows the implied value of the merger consideration that would be received by NI Bancshares stockholders in exchange for each share of NI Bancshares common stock if the per share price of First Midwest common stock was \$18.2569, which was the per share volume weighted average price of First Midwest common stock on the NASDAQ Stock Market for the 15 trading days ending on and including November 11, 2015, the last trading day before the announcement of the merger, and if such price was \$17.5342, which was the per share volume weighted average price of First Midwest common stock on the NASDAQ Stock Market for the 15 trading days ending on and including January 19, 2016, the latest practicable trading day before the printing of the accompanying proxy statement/prospectus.

	<b>15 Day Volume Weighted Average Price of First Midwest Common Stock on NASDAQ</b>	<b>Exchange Ratio</b>	<b>Cash Consideration Per NI Bancshares Common Share</b>	<b>Total Consideration Per NI Bancshares Common Share (1)</b>
November 11, 2015	\$18.2569	2.8858	\$13.17	\$65.86
January 19, 2016	\$17.5342	2.8858	\$13.17	\$63.77

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(1) Computed as the sum of (i) the 15 day volume weighted average price of First Midwest common stock on the NASDAQ Stock Market ending on the date specified multiplied by the exchange ratio, plus (ii) the cash consideration per share of NI Bancshares common stock.

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Upon completion of the merger, each outstanding stock option (vested or unvested) to purchase NI Bancshares common stock will be cancelled and terminated in exchange for the right to receive cash, without any interest and subject to any required withholding tax, in an amount equal to the merger consideration value per share, as defined in the merger agreement, as of the trading day immediately prior to the effective date of the merger, minus the applicable exercise price per share of such outstanding stock option, multiplied by the number of shares of NI Bancshares common stock covered by such option. Any out-of-the money stock options granted by NI Bancshares will be cancelled and no consideration will be provided. An out-of-the money stock option is an outstanding stock option for which the exercise price per share is greater than or equal to the merger consideration value per share described above.

To the extent a director, officer or other employee holds unvested restricted stock awards immediately prior to the merger, upon completion of the merger, such awards will become fully vested and the holder shall be entitled to receive the same merger consideration for the shares of NI Bancshares common stock subject to such award as all other holders of NI Bancshares common stock.

To complete the merger, holders of a majority of the outstanding shares of NI Bancshares common stock must approve and adopt the merger agreement and the transactions contemplated thereby, including the merger. **Your vote is very important.** Whether or not you expect to attend the special meeting, please vote as soon as possible to ensure that your shares are represented at the meeting. You may vote your shares by marking your votes on the proxy card, signing and dating it and mailing it with the envelope provided. If you sign and return your proxy card without specifying your choice, it will be understood that you wish to have your shares voted in favor of the merger agreement and the transactions contemplated thereby, including the merger.

**We encourage you to read the entire accompanying proxy statement/prospectus carefully (including any documents incorporated therein by reference). Please pay particular attention to Risk Factors beginning on page 15 for a discussion of the risks related to the merger and owning First Midwest common stock after the merger.**

We look forward to seeing you on February 25, 2016 in Sycamore, Illinois.

Sincerely

James W. Dutton  
*Chairman of the Board of Directors*

Michael A. Cullen  
*President and Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued in the merger or determined if this document is accurate or adequate. It is illegal to tell you otherwise. The securities to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

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The date of the accompanying proxy statement/prospectus is January 20, 2016, and it is first being mailed or otherwise delivered to the stockholders of NI Bancshares on or about January 22, 2016.

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON FEBRUARY 25, 2016**

**To the Stockholders of**

**NI Bancshares Corporation:**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of NI Bancshares Corporation, a Delaware corporation ( NI Bancshares ), will be held at DeKalb County Farm Bureau, located at 1350 W. Prairie Drive, Sycamore, Illinois, 60178 on February 25, 2016 at 10:30 a.m. Central Time, for the purpose of considering and voting upon the following matters:

- Approval and adoption of the Agreement and Plan of Merger, dated November 12, 2015, between NI Bancshares and First Midwest Bancorp, Inc. ( First Midwest ) and the transactions contemplated thereby, including the merger of NI Bancshares with and into First Midwest, as more fully described in the accompanying proxy statement/prospectus (which we refer to as the First Midwest merger proposal );
- Approval of one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit the further solicitation of proxies in favor of the First Midwest merger proposal (which we refer to as the adjournment proposal ); and
- Transaction of such other business as may properly come before the special meeting and any adjournments or postponements thereof.

We have fixed the close of business on January 11, 2016, as the record date for determining those stockholders entitled to notice of and to vote at the special meeting and any adjournments of the special meeting. Only NI Bancshares stockholders of record at the close of business on that date are entitled to notice of and to vote at the special meeting and any adjournments of the special meeting. Approval of the First Midwest merger proposal requires the affirmative vote of a majority of the outstanding shares of NI Bancshares common stock. As a result, abstentions and broker non-votes will have the same effect as votes against approval of the First Midwest merger proposal. Approval of the adjournment

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proposal requires the affirmative vote of a majority of votes cast at the special meeting.

If you wish to attend the special meeting and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares.

Under Delaware law, NI Bancshares stockholders who do not vote in favor of the First Midwest merger proposal will have the right to seek appraisal of the fair value of their shares of NI Bancshares common stock as determined by the Delaware Court of Chancery if the merger of NI Bancshares with and into First Midwest is completed, but only if they submit a written demand for such an appraisal prior to the vote on the adoption of the First Midwest merger proposal and comply with the other Delaware law procedures explained in the accompanying proxy statement/prospectus. NI Bancshares stockholders who do not vote in favor of the First Midwest merger proposal and who submit a written demand for such an appraisal prior to the vote on the adoption of the First Midwest merger proposal and comply with the other Delaware law procedures will not receive the merger consideration.

**Whether or not you plan to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card in the enclosed envelope to ensure that your shares of NI Bancshares common**

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**stock will be represented at the special meeting if you are unable to attend. The enclosed envelope requires no postage if mailed in the United States. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.**

**NI Bancshares board of directors unanimously recommends that you vote FOR approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the adjournment proposal.**

By Order of the Board of Directors,

James W. Dutton  
*Chairman of the Board of Directors*

Sycamore, Illinois

January 20, 2016

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**NI Bancshares Corporation**

**First Midwest Bancorp, Inc.**

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**PROXY STATEMENT OF NI BANCSHARES CORPORATION**

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**PROSPECTUS OF FIRST MIDWEST BANCORP, INC.**

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**Merger Proposal Your Vote Is Important**

**ABOUT THIS PROXY STATEMENT/PROSPECTUS**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by First Midwest Bancorp, Inc. ( First Midwest ) with the Securities and Exchange Commission (the SEC ), constitutes a prospectus of First Midwest under Section 5 of the Securities Act of 1933, as amended (the Securities Act ), with respect to the shares of First Midwest common stock to be issued to stockholders of NI Bancshares Corporation ( NI Bancshares ) as consideration in the merger of NI Bancshares with and into First Midwest, as more fully described herein. This proxy statement/prospectus also constitutes a proxy statement for NI Bancshares. In addition, it constitutes a notice of meeting with respect to the special meeting of NI Bancshares stockholders.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated January 20, 2016, and you should assume that the information in this proxy statement/prospectus is accurate only as of such date. You should assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of the date of such incorporated document. Neither the mailing of this proxy statement/prospectus to NI Bancshares stockholders nor the issuance by First Midwest of shares of First Midwest common stock in connection with the merger will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**





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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates by reference important business and financial information about First Midwest from documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by First Midwest at no cost from the SEC's website maintained at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference into this proxy statement/prospectus, at no cost by contacting First Midwest in writing at the address or by telephone as specified below:

First Midwest Bancorp, Inc.

Attention: Corporate Secretary

One Pierce Place, Suite 1500

Itasca, IL 60143

(630) 875-7463

**You will not be charged for any of these documents that you request. In order for you to receive timely delivery of the documents in advance of the special meeting of NI Bancshares stockholders, you must request the information by February 22, 2016.**

See Where You Can Find More Information.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus, as well as First Midwest's other filings with the SEC and NI Bancshares' other communications with its stockholders, may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the PSLRA). These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to be materially different from any results, levels of activity, performance, or achievements expressed or implied by any forward-looking statement. These factors include, among other things, the factors listed below.

In some cases, forward-looking statements can be identified by the use of words such as may, might, will, would, should, could, expect, intend, anticipate, believe, estimate, predict, probable, potential, possible, target, continue, look forward, or assume and Forward-looking statements are not historical facts, but instead express only management's beliefs, views and assumptions regarding future events, future business conditions, outcomes, and our outlook for First Midwest and NI Bancshares based on currently available information. It is possible that actual results and events may differ, possibly materially, from the anticipated results or events indicated in these forward-looking statements. Forward-looking statements are not guarantees of future performance, and we caution you not to place undue reliance on these statements. Forward-looking statements are made only as of the date of this proxy statement/prospectus, and we undertake no obligation to

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update any forward-looking statements contained in this proxy statement/prospectus to reflect new information or events or conditions after the date hereof.

In connection with the safe harbor provisions of the PSLRA, we are hereby identifying important factors that could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any forward-looking statements.

Among the factors that could have an impact on our ability to achieve operating results, growth plan goals, and the beliefs expressed or implied in forward-looking statements are:

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- the risk that the businesses of First Midwest and NI Bancshares will not be integrated successfully or such integration may be more difficult, time consuming or costly than expected;
- expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame;
- revenues following the merger may be lower than expected;
- deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;
- the ability to obtain governmental approvals of the merger on the proposed terms and schedule;
- the failure of NI Bancshares stockholders to approve the merger;
- local, regional, national and international economic conditions and the impact they may have on First Midwest and NI Bancshares and their customers and First Midwest's and NI Bancshares' assessment of that impact;
- changes in the level of non-performing assets and charge offs;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- inflation, interest rate, securities market and monetary fluctuations;
- changes in the competitive environment among financial holding companies and banks; and

- changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which First Midwest and NI Bancshares must comply.

The foregoing list of important factors may not be all inclusive, and we specifically decline to undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events. For a further discussion of these and other risks, uncertainties and other factors applicable to First Midwest and NI Bancshares, see the section entitled Risk Factors in this proxy statement/prospectus and First Midwest's other filings with the SEC incorporated by reference into this proxy statement/prospectus.

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus and may not contain all the information that is important to you. We urge you to read carefully this entire document, and the documents referenced herein, for a more complete understanding of the merger between First Midwest and NI Bancshares. In addition, we incorporate by reference into this document important business and financial information about First Midwest. You may obtain the information incorporated by reference in this document without charge by following the instructions in the section entitled Where You Can Find More Information. Each item in this summary includes a page reference directing you to a more complete description of that item.*

*Unless the context otherwise requires, references in this proxy statement/prospectus to First Midwest refer to First Midwest Bancorp, Inc., a Delaware corporation; references to First Midwest Bank refer to First Midwest Bank, an Illinois-state chartered bank and wholly owned subsidiary of First Midwest; references to NI Bancshares refer to NI Bancshares Corporation, a Delaware corporation; references to NB&T refer to The National Bank & Trust Company of Sycamore, a national banking association and wholly owned subsidiary of NI Bancshares; references to the merger agreement refer to the Agreement and Plan of Merger, dated as of November 12, 2015, between First Midwest and NI Bancshares; and references to we, our or us refer to First Midwest and NI Bancshares.*

**We Propose a Merger of NI Bancshares and First Midwest (Page 24)**

We propose that NI Bancshares merge with and into First Midwest, with First Midwest as the surviving corporation (the merger). As a result of the merger, the separate existence of NI Bancshares will terminate. Following this merger, NI Bancshares' wholly owned bank subsidiary, NB&T, will merge with and into First Midwest's wholly owned bank subsidiary, First Midwest Bank (the bank merger). We expect to complete the merger and the bank merger in the first quarter of 2016, although delays may occur.

**Special Meeting of NI Bancshares (Page 21)**

NI Bancshares plans to hold its special meeting of stockholders on February 25, 2016, at 10:30 a.m., Central Time at DeKalb County Farm Bureau located at 1350 W. Prairie Drive, Sycamore, Illinois, 60178. At the special meeting you will be asked to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger of NI Bancshares with and into First Midwest.

You can vote at the NI Bancshares special meeting of stockholders if you owned NI Bancshares common stock at the close of business on the record date, January 11, 2016. As of that date, there were 1,057,815 shares of NI Bancshares common stock outstanding and entitled to vote. You can cast one vote for each share of NI Bancshares common stock that you owned on that date.

**NI Bancshares Board Unanimously Recommends That You Vote FOR the Merger (Page 21)**



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NI Bancshares board of directors (i) believes that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of NI Bancshares and its stockholders and that the merger consideration is fair to NI Bancshares stockholders, (ii) has unanimously approved and adopted the merger agreement and (iii) unanimously recommends that NI Bancshares stockholders vote FOR approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger.

### **You Will Receive Cash and Shares of First Midwest Common Stock in the Merger (Page 44)**

If the merger is completed, you will receive for each share of NI Bancshares common stock you hold immediately prior to the completion of the merger 2.8858 shares of fully paid and non-assessable First Midwest common stock (the exchange ratio ), plus \$13.17 in cash (without interest thereon). Instead of fractional shares of

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First Midwest common stock, NI Bancshares stockholders will receive a check for any fractional shares based on the price of First Midwest common stock on the trading day immediately preceding the day on which the merger occurs.

The merger consideration may be subject to adjustment if certain termination provisions, based on the market price of First Midwest common stock, are triggered and NI Bancshares board of directors elects to terminate the merger agreement. NI Bancshares will have a right to terminate the merger agreement if the volume weighted average price of First Midwest common stock during a specified period before the effective time of the merger both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, if NI Bancshares elects to terminate the merger agreement under these circumstances, First Midwest may, but is not obligated to, elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances. The exchange ratio is also subject to adjustment if First Midwest changes the number or kind of shares of its common stock outstanding by way of stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction.

Additionally, if certain environmental conditions and/or title defects exist with respect to NI Bancshares real property and the total cost to remediate and/or cure such conditions or defects is greater than \$150,000, the cash received by the holders of NI Bancshares common stock in connection with the merger will be reduced by such cost up to an aggregate amount of \$1,000,000. If such cost exceeds \$1,000,000, First Midwest may terminate the merger agreement or reduce the cash component of the consideration by \$1,000,000 and, subject to the satisfaction of all other conditions, proceed to the closing of the merger.

The following table shows the implied value of the merger consideration that would be received by NI Bancshares stockholders in exchange for each share of NI Bancshares common stock if the per share price of a share of First Midwest common stock was \$18.2569, which was the per share volume weighted average price of First Midwest common stock on the NASDAQ Stock Market for the 15 trading days ending on and including November 11, 2015, the last trading day before the announcement of the merger, and if such price was \$17.5342, which was the per share volume weighted average price of First Midwest common stock on the NASDAQ Stock Market for the 15 trading days ending on and including January 19, 2016, the latest practicable trading day before the printing of this proxy statement/prospectus.

	<b>15 Day Volume Weighted Average Price of First Midwest Common Stock on NASDAQ</b>	<b>Exchange Ratio</b>	<b>Cash Consideration Per NI Bancshares Common Share</b>	<b>Total Consideration Per NI Bancshares Common Share (1)</b>
November 11, 2015	\$18.2569	2.8858	\$13.17	\$65.86
January 19, 2016	\$17.5342	2.8858	\$13.17	\$63.77

(1) Computed as the sum of (i) the 15 day volume weighted average price of First Midwest common stock on the NASDAQ Stock Market ending on the date specified multiplied by the exchange ratio, plus (ii) the cash consideration per NI Bancshares common share.

Upon completion of the merger, each outstanding stock option (vested or unvested) to purchase NI Bancshares common stock will be cancelled and terminated in exchange for the right to receive cash, without any interest and subject to any required withholding tax, in an amount equal to the merger consideration value per share, as defined in the merger agreement, minus the applicable exercise price per share of such outstanding stock option, multiplied by the number of shares of NI Bancshares common stock covered by such option. Any out-of-the-money stock options

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granted by NI Bancshares will be cancelled and no consideration will be provided. An out-of-the money stock option is an outstanding stock option for which the exercise price per share is greater than or equal to the merger consideration value per share described above.

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To the extent a director, officer or other employee holds unvested restricted stock awards immediately prior to the merger, upon completion of the merger, such awards will become fully vested and the holder shall be entitled to receive the same merger consideration for the shares of NI Bancshares common stock subject to such award as all other holders of NI Bancshares common stock.

**Tax Consequences of the Merger (Page 38)**

Subject to certain circumstances described below, in the opinion of Barack Ferrazzano Kirschbaum & Nagelberg LLP ( Barack Ferrazzano ) and Chapman and Cutler LLP ( Chapman and Cutler ), for United States federal income tax purposes, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code ).

Provided that the merger qualifies as a reorganization for United States federal income tax purposes, you may recognize gain, but you will not recognize loss, upon the exchange of your shares of NI Bancshares common stock for shares of First Midwest common stock and cash. If the sum of the fair market value of the First Midwest common stock and the amount of cash you receive in exchange for your shares of NI Bancshares common stock exceeds the adjusted basis of your shares of NI Bancshares common stock, you will recognize taxable gain equal to the lesser of the amount of such excess or the amount of cash you receive in the exchange. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of NI Bancshares common stock. Depending on certain facts specific to you, any gain could instead be characterized as ordinary dividend income.

For a complete description of the material United States federal income tax consequences of the transaction, including the consequences in the event of such an election, see The Merger Material Federal Income Tax Consequences of the Merger on page 38. You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

**Prohibition on NI Bancshares Dividends; First Midwest's Dividend Policy Will Continue After the Merger (Page 57)**

Except for the declaration and payment of its ordinary semi-annual dividend of \$0.25 per share in accordance with the terms of the merger agreement, NI Bancshares is generally prohibited from paying cash dividends to holders of its common stock prior to completion of the merger.

First Midwest expects to continue its common stock dividend practice after the merger, but this practice is subject to the determination and discretion of First Midwest's board of directors and may change at any time. In the fourth quarter of 2015, First Midwest declared a quarterly cash dividend of \$0.09 per share of First Midwest common stock. In the fourth quarter of 2014 and the second quarter of 2015, payable in the first quarter of 2015 and third quarter of 2015, respectively, NI Bancshares declared a semi-annual cash dividend of \$0.25 per share of NI Bancshares common stock, which equals \$0.50 paid annually. For comparison, NI Bancshares stockholders would therefore receive a quarterly cash dividend following the merger equivalent to approximately \$0.26 per share of NI Bancshares common stock, which equals approximately \$1.04 annually, based on First Midwest's current quarterly dividend rate of \$0.09 per share and assuming that there is no adjustment to the exchange ratio as provided in the merger agreement.

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The payment of dividends by First Midwest or NI Bancshares on their common stock in the future, either before or after the merger is completed, is subject to the determination and discretion of our respective boards of directors and depends on a variety of factors, including cash requirements, our financial condition and earnings, legal and regulatory considerations and other factors.

### **The Merger Will Be Accounted for as a Purchase (Page 41)**

The merger will be treated as a purchase by First Midwest of NI Bancshares under generally accepted accounting principles ( GAAP ).

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**First Midwest's Reasons for the Merger (Page 28)**

For a discussion of the factors considered by First Midwest's board of directors in reaching its decision to approve the merger agreement and the transactions contemplated thereby, including the merger, see *The Merger* First Midwest's Reasons for the Merger on page 28.

**NI Bancshares' Reasons for the Merger (Page 28)**

For a discussion of the factors considered by NI Bancshares' board of directors in reaching its decision to approve the merger agreement and the transactions contemplated thereby, including the merger, see *The Merger* NI Bancshares' Reasons for the Merger and Recommendations of the Board of NI Bancshares on page 28.

**Sheshunoff & Co. Investment Banking, L.P. Provided an Opinion to NI Bancshares' Board Stating that, as of November 9, 2015 and Based Upon and Subject to the Factors and Assumptions Set Forth in the Opinion, the Terms of the Merger Agreement Were Fair From a Financial Point of View to NI Bancshares and NI Bancshares' Stockholders (Page 30)**

NI Bancshares engaged Sheshunoff & Co. Investment Banking, L.P. ( Sheshunoff ), to provide financial advisory services in connection with the potential sale of NI Bancshares. Sheshunoff is an investment banking and consulting firm specializing in community bank mergers and acquisitions. NI Bancshares selected Sheshunoff as its financial advisor on the basis of its experience and expertise in representing community banks in similar transactions and their familiarity with NI Bancshares.

On November 9, 2015, the date NI Bancshares' board of directors approved the merger, Sheshunoff provided its oral and written opinion to NI Bancshares' board of directors that, as of that date and subject to a number of factors and assumptions, the terms of the merger agreement were fair from a financial point of view to NI Bancshares and NI Bancshares' stockholders. The full text of Sheshunoff's written opinion is attached to this proxy statement/prospectus as *Appendix B*. We encourage you to read this opinion carefully and in its entirety. The Sheshunoff opinion is not a recommendation as to how any NI Bancshares stockholders should vote or act with respect to the merger.

NI Bancshares and Sheshunoff have entered into an agreement relating to the services to be provided by Sheshunoff in connection with the merger. NI Bancshares paid Sheshunoff a cash fee of \$15,000 upon execution of their engagement letter. NI Bancshares paid Sheshunoff a cash fee of \$50,000 upon the issuance of the Sheshunoff fairness opinion and, upon the closing of the merger, has agreed to pay Sheshunoff a transaction fee in an amount equal to 0.95% of the aggregate consideration value thereof. Both the \$15,000 and \$50,000 cash fees are to be credited toward the transaction fee. NI Bancshares has also agreed to reimburse Sheshunoff for its reasonable out-of-pocket expenses, and to indemnify Sheshunoff against certain liabilities.

**NI Bancshares' Directors and Executive Officers May Have Interests in the Merger that Differ from Your Interests (Page 42)**

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Some of NI Bancshares' directors and executive officers have interests in the merger other than their interests as stockholders, including:

- Per the terms of certain NI Bancshares employment agreements and benefit plans, NI Bancshares executive officers may become entitled to change in control, severance, or other payments upon the occurrence of the merger.
- NI Bancshares and Michael A. Cullen, its Chief Executive Officer (the "CEO"), are parties to an employment agreement that provides for certain severance benefits in the event of a qualifying termination of employment in connection with a change in control of NI Bancshares. In such instance, Mr. Cullen will be entitled to a payment equal to three times the sum of his current salary

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plus his average bonus for the preceding three years. In addition, he would be entitled to company paid insurance coverage for 18 months. Following termination for any reason, Mr. Cullen would be subject to non-competition and non-solicitation restrictions for 18 months. Additionally, upon the occurrence of a change in control, Mr. Cullen would become vested in company contributions to his deferred compensation account. In connection with the execution of the merger agreement, First Midwest and Mr. Cullen entered into a letter agreement outlining Mr. Cullen's employment by First Midwest as its Regional President of DeKalb County and his compensation arrangements that will become effective immediately following the closing of the merger. Under the letter agreement, First Midwest and Mr. Cullen have agreed to enter into a new employment agreement that will become effective immediately following the closing of the merger. The letter agreement provides for the termination of his prior employment agreement with NI Bancshares (other than the past post-employment restrictions) and of his participation in the NI Bancshares Executive Change in Control Severance Plan ( "CIC Severance Plan" ), described below, following the merger. In addition, the letter agreement sets forth the general terms and conditions of his employment following the merger. In recognition of termination of his existing agreement with NI Bancshares, continuation of the post-employment restrictions contained therein and as a retention incentive, the new employment agreement with First Midwest will provide for a cash payment to Mr. Cullen by First Midwest of \$447,516 following the merger and for a restricted stock award by First Midwest with a grant date value of \$447,516 and a vesting period of three years. Such aggregate amount is approximately 80% of the severance benefit Mr. Cullen would have been entitled to receive upon a qualifying termination in connection with the merger under the terms of his existing employment agreement with NI Bancshares.

- Certain executive officers of NI Bancshares are participants in the CIC Severance Plan. Under the CIC Severance Plan, if a covered officer is terminated without cause, or resigns for good reason, the officer will be entitled to severance payments ranging from 12 to 18 months of salary plus COBRA insurance continuation for 12 to 18 months with the officer responsible for the same level of payments as active employees. Following termination of employment, the covered officer will be subject to non-competition and non-solicitation restrictions for 12 to 18 months, corresponding to the length of severance benefits. First Midwest has agreed to honor the obligations of NI Bancshares under the CIC Severance Plan after the effective time of the merger. In connection with the execution of the merger agreement, First Midwest entered into letter agreements with two executive officers and four other officers setting forth employment and compensation arrangements that will become effective as of the effective date of the merger. The letter agreements provide for the officers' waiver of participation in the CIC Severance Plan, in return for a sign-on bonus falling in the range of \$25,000 to \$50,000.
- To the extent a director or executive officer holds unvested restricted stock awards, upon completion of the merger, such awards shall become fully earned, and vested per the terms of the NI Bancshares Corporation 2000 Stock Incentive Plan and the NI Bancshares 2010 Equity Incentive Plan (the "NI Bancshares Stock Plans" ) and will be converted to cash and First Midwest common stock, and to the extent a director or officer holds vested or unvested stock options, the options will be cancelled and terminated in exchange for a cash payment discussed in the "You Will Receive Cash and Shares of First Midwest Common Stock in the Merger" section of this proxy statement/prospectus above. As of the date of the merger agreement, directors and executive officers, as a group, held unvested restricted stock awards with respect to 4,607 shares of NI Bancshares common stock and 42,166 vested stock options.
- Under the merger agreement, First Midwest has agreed to indemnify the directors and officers of NI Bancshares against liabilities arising out of actions or omissions occurring at or before the completion of the merger.
- The merger agreement also provides that, subject to certain limitations, First Midwest will maintain directors and officers' liability insurance for a period of six years after the merger is completed that provides at least the same



coverage and amounts, and contains terms and conditions no less advantageous, as that coverage currently provided by NI Bancshares. See "The Merger Interests of Certain Persons in the Merger" on page 42.

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NI Bancshares' board of directors knew about these additional interests and considered them when they adopted the merger agreement and approved the merger.

**NI Bancshares Stockholders Have Dissenters' Rights of Appraisal (Page 58)**

If you are a stockholder of NI Bancshares, you may elect to dissent from the merger and exercise appraisal rights by following the procedures set forth in Section 262 of the General Corporation Law of the State of Delaware (the "DGCL"). For more information regarding your right to dissent from the merger and exercise appraisal rights, please see "The Merger Agreement - Dissenters' Rights of Appraisal of NI Bancshares Stockholders" on page 58. We have also attached a copy of the relevant provisions of Section 262 of the DGCL as *Appendix C* to this proxy statement/prospectus.

**We Have Agreed When and How NI Bancshares Can Consider Third-Party Acquisition Proposals (Page 49)**

We have agreed that NI Bancshares will not initiate or solicit proposals from other parties regarding acquiring NI Bancshares or its businesses. In addition, we have agreed that NI Bancshares will not engage in negotiations with or provide confidential information to a third party regarding acquiring NI Bancshares or its businesses. However, if NI Bancshares receives an acquisition proposal from a third party, NI Bancshares can participate in negotiations with and provide confidential information to the third party if, among other steps, NI Bancshares' board of directors concludes in good faith that the proposal is superior to First Midwest's merger proposal. NI Bancshares' receipt of a superior proposal or participation in such negotiations does not give NI Bancshares the right to terminate the merger agreement.

**Merger Approval Requires the Affirmative Vote of the Holders of a Majority of the Outstanding Shares of NI Bancshares (Page 22)**

In order to approve the merger agreement and the transactions contemplated thereby, including the merger, the holders of a majority of the outstanding shares of NI Bancshares common stock as of the record date of January 11, 2016 must vote in favor of that matter. As of that date, NI Bancshares' directors and executive officers and their affiliates held approximately 21% of the outstanding shares of NI Bancshares common stock entitled to vote at the special meeting. All of the directors and certain executive officers of NI Bancshares and NB&T, collectively holding an aggregate 220,654 shares of NI Bancshares common stock (or approximately 21% of the outstanding shares) as of the record date, have signed voting agreements with First Midwest agreeing to vote for approval of the merger agreement and the transactions contemplated thereby, including the merger.

Per the terms of the NI Bancshares Stock Plans, and award agreements thereunder, holders of stock options do not have voting rights with respect to the shares underlying unexercised stock options, whereas recipients of restricted stock awards are entitled to vote on behalf of underlying shares, even while subject to vesting requirements, from the date of grant until such awards are forfeited. Holders of NI Bancshares restricted stock will vote in the same manner as holders of NI Bancshares common stock, as discussed above. As of the record date, participants in the NI Bancshares Stock Plans held approximately 23% of the shares entitled to vote at the special meeting.

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For a list of the number of shares of NI Bancshares common stock held by each director and executive officer of NI Bancshares and each stockholder that is known to NI Bancshares as of the date of this proxy statement/prospectus to beneficially own more than 5% percent of the outstanding shares of NI Bancshares common stock, see Security Ownership of NI Bancshares Directors, Named Executive Officers and Certain Beneficial Owners on page 75.

**Certain Stockholders of NI Bancshares Have Agreed to Vote Their Shares FOR the Merger (Page 62 and Appendix A, Annex 1-B)**

As an inducement to and condition of First Midwest's willingness to enter into the merger agreement, all of the directors and certain officers of NI Bancshares and NB&T who beneficially owned in the aggregate

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approximately 21% of NI Bancshares' outstanding common stock as of November 12, 2015 entered into voting agreements, pursuant to which, among other things, they agreed to vote all of their shares of NI Bancshares common stock in favor of approval of the merger agreement and the transactions contemplated thereby, including the merger, other matters required to be approved or adopted to effect the merger and any other transactions contemplated by the merger agreement.

**We Must Meet Several Conditions to Complete the Merger (Page 53)**

Our obligations to complete the merger depend on a number of conditions being met. These include:

- the approval of the merger agreement and the merger by NI Bancshares stockholders;
- the receipt of the required approvals of federal and state regulatory authorities;
- the listing on the NASDAQ Stock Market of the shares of First Midwest common stock to be issued in the merger;
- the absence of any government action or other legal restraint or prohibition that would prohibit the merger or make it illegal;
- the representations and warranties of the other party to the merger agreement being true and correct in all material respects (except for representations and warranties qualified by the words "material" or "Material Adverse Effect," and certain representations and warranties regarding NI Bancshares' capitalization, which are required to be true in all respects), and the other party to the merger agreement having performed in all material respects all its obligations and complied in all material respects with all of its agreements and covenants under the merger agreement;
- the receipt of legal opinions that, for United States federal income tax purposes, the merger will be treated as a reorganization and that both NI Bancshares and First Midwest will be a party to that reorganization. These opinions will be based on customary assumptions and on factual representations made by First Midwest and NI Bancshares and will be subject to various limitations;

- with regard to First Midwest's obligation (but not NI Bancshares'), the receipt of a legal opinion from NI Bancshares' outside counsel, Barack Ferrazzano, as to certain corporate matters, including NI Bancshares' due incorporation and legal standing, the legal status of NI Bancshares' capital stock and the due authorization and execution of the merger agreement;
- with regard to First Midwest's obligation (but not NI Bancshares'), the number of dissenting shares must not exceed 5% of NI Bancshares' common stock;
- with regard to First Midwest's obligation (but not NI Bancshares'), the receipt of all required third-party approvals;
- with regard to First Midwest's obligation (but not NI Bancshares'), NI Bancshares' closing tangible equity, as defined in the merger agreement, must be greater than or equal to \$53,000,000;
- with regard to First Midwest's obligation (but not NI Bancshares'), NB&T's loan loss reserve must be greater than or equal to 0.90% of NB&T's net extensions of credit;
- with regard to First Midwest's obligation (but not NI Bancshares'), the 10-day average balance of NB&T's consolidated deposits must be no less than \$515,000,000 for the 10-day period ending on the day immediately prior to the closing date;
- with regard to First Midwest's obligation (but not NI Bancshares'), NI Bancshares' consolidated total loans (excluding loans held for sale) must be greater than or equal to \$350,000,000;

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- with regard to First Midwest's obligation (but not NI Bancshares'), the environmental and title review process of NI Bancshares' real property set forth in the merger agreement shall be completed in accordance with the provisions of the merger agreement;
- with regard to First Midwest's obligation (but not NI Bancshares'), the receipt by First Midwest of the resignations, effective as of the effective time of the merger, of each director and officer of NI Bancshares and each director and executive officer of NB&T unless such individual has entered into an alternative agreement with First Midwest for continued employment following the effective time of the merger;
- with regard to First Midwest's obligation (but not NI Bancshares'), the receipt by First Midwest of a certificate by NI Bancshares stating that it and NB&T are not and have not been United States real property holding corporations; and
- with regard to First Midwest's obligation (but not NI Bancshares'), the receipt by First Midwest of a certificate by NI Bancshares stating a material adverse effect, as defined in the merger agreement, has not occurred to NI Bancshares.

Where the law permits, either of First Midwest or NI Bancshares could choose to waive a condition to its obligation to complete the merger even when that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed. Although the merger agreement allows us to waive the tax opinion condition, we do not currently anticipate doing so.

**We Must Obtain Regulatory Approvals to Complete the Merger (Page 56)**

The merger and the related transactions require approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Federal Reserve has approved the merger and the related transactions, including the bank merger. Notice of the bank merger must also be given to the Office of the Comptroller of the Currency (the "OCC"), and such notice has been provided. The bank merger must also be approved by the Illinois Department of Financial and Professional Regulation (the "IDFPR"), and the IDFPR has approved the bank merger.

**We May Terminate the Merger Agreement (Page 54)**

We can mutually agree at any time to terminate the merger agreement without completing the merger, even if NI Bancshares stockholders have approved the merger agreement and the merger. Also, either of us can decide, without the consent of the other, to terminate the merger agreement in certain circumstances, including:

- if a material adverse effect, as defined in the merger agreement, occurs with respect to the other party;
- if there is a final denial of a required regulatory approval or an application for a required regulatory approval has been withdrawn upon the request or recommendation of the applicable governmental authority and such governmental authority would not accept the refiling of such application;
- if the merger is not completed on or before November 12, 2016; or
- if there is a continuing breach of the merger agreement by a party, and the breaching party has not cured the breach within 15 days written notice to the breaching party, as long as that breach would allow the non-breaching party not to complete the merger.

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In addition, First Midwest may terminate the merger agreement:

- if NI Bancshares stockholders fail to approve the merger agreement and the transactions contemplated thereby, including the merger;
- if NI Bancshares board of directors fails to recommend approval of the merger agreement and the transactions contemplated thereby, including the merger, to its stockholders, or withdraws or materially and adversely modifies its recommendation;
- if NI Bancshares board of directors recommends an acquisition proposal other than the merger, or if NI Bancshares board of directors negotiates or authorizes negotiations with a third party regarding an acquisition proposal other than the merger and those negotiations continue for at least 10 business days;
- if NI Bancshares has breached its covenant not to solicit or encourage inquiries or proposals with respect to any acquisition proposal, in circumstances not permitted under the merger agreement;
- if the aggregate cost to remediate and/or cure environmental conditions and/or title defects with respect to NI Bancshares real property exceeds \$1,000,000; or
- if the number of dissenting shares exceeds 5% of the outstanding shares of NI Bancshares common stock.

Further, NI Bancshares may terminate the merger agreement if the volume weighted average price of First Midwest common stock during a specified period before the effective time of the merger both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, if NI Bancshares elects to terminate the merger agreement under these circumstances, First Midwest may, but is not obligated to, elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances.

Whether or not the merger is completed, we will each pay our own fees and expenses, except that we will each pay one-half of the costs and expenses that we incur in preparing, printing and mailing this proxy statement/prospectus and filing fees paid in connection with the registration statement of which the proxy statement/prospectus forms a part and all applications for government approvals, except fees paid to counsel, financial advisors and accountants.



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The merger agreement also provides that NI Bancshares must pay First Midwest a fee and reimburse expenses in certain situations. In particular, NI Bancshares will pay First Midwest a fee of \$2,800,000 if the following occurs on or prior to the termination of the merger agreement or the 18 month anniversary of the termination of the merger agreement in certain circumstances set forth in the merger agreement:

- NI Bancshares' board of directors submits the merger agreement and the transactions contemplated thereby, including the merger, to NI Bancshares stockholders without a recommendation for approval or with material and adverse conditions on such approval, or withdraws or materially and adversely modifies its recommendation;
- NI Bancshares enters into an agreement to engage in a competing acquisition proposal with any person other than First Midwest or any of First Midwest's subsidiaries;
- NI Bancshares authorizes, recommends or proposes (or publicly announces its intention to authorize, recommend or propose) an agreement to engage in a competing acquisition proposal with any person other than First Midwest or its subsidiaries or NI Bancshares' board of directors

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recommends that NI Bancshares stockholders approve or accept such a competing acquisition proposal;

- any person, other than First Midwest or its subsidiaries, acquires beneficial ownership or the right to acquire beneficial ownership of 20% or more of the outstanding shares of any class or series of NI Bancshares stock;
- NI Bancshares fails to convene a stockholder meeting to approve the merger agreement and the transactions contemplated thereby, including the merger, within 45 days of the effectiveness of the registration statement of which this proxy statement/prospectus is a part; or
- NI Bancshares breaches its covenant not to solicit or encourage inquiries or proposals with respect to any acquisition proposal in circumstances not permitted under the merger agreement, which covenant is described below under "The Merger Agreement - Acquisition Proposals by Third Parties" on page 49.

**We May Amend or Waive Merger Agreement Provisions (Page 56)**

At any time before completion of the merger, either First Midwest or NI Bancshares may, to the extent legally allowed, waive in writing compliance by the other with any provision contained in the merger agreement. However, once NI Bancshares stockholders have voted on the proposed transaction, no waiver of any condition may be made that would require further approval by NI Bancshares stockholders unless that approval is obtained.

First Midwest may also change the structure of the merger by providing at least five days' notice before NI Bancshares stockholders vote on the proposed transaction, so long as any change does not: (1) change the amount or type of consideration to be received by NI Bancshares stockholders; (2) adversely affect the timing of or capability of completion of the merger; (3) adversely affect the tax consequences of the merger to NI Bancshares stockholders; or (4) cause or could not be reasonably expected to cause any of the conditions to complete the merger to be incapable of being satisfied.

**The Rights of NI Bancshares Stockholders Following the Merger Will be Different (Page 70)**

The rights of First Midwest stockholders are governed by Delaware law and by First Midwest's restated certificate of incorporation and amended and restated by-laws. The rights of NI Bancshares stockholders are also governed by Delaware law, and by NI Bancshares' amended and restated certificate of incorporation and by-laws. Upon our completion of the merger, the rights of both stockholder groups will be governed by Delaware law and First Midwest's restated certificate of incorporation and amended and restated by-laws.

**Information About First Midwest and NI Bancshares (Page 66)**

*First Midwest Bancorp, Inc.*

*One Pierce Place, Suite 1500*

*Itasca, Illinois 60143*

*(630) 875-7463*

First Midwest is a Delaware corporation headquartered in the Chicago suburb of Itasca, Illinois. It is one of Illinois' largest independent publicly-traded bank holding companies. First Midwest's principal subsidiary, First Midwest Bank, and other affiliates provide a full range of business, middle market and retail banking as well as wealth management and private banking services to commercial and industrial, commercial real estate, municipal and consumer customers through over 100 locations in metropolitan Chicago, northwest Indiana, central and western Illinois, and eastern Iowa. At September 30, 2015, First Midwest had consolidated total assets of approximately \$9.9 billion. First Midwest common stock trades on the NASDAQ Stock Market under the symbol FMBI.

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*NI Bancshares Corporation*

*230 West State Street*

*Sycamore, Illinois 60178*

*(815) 895-2125*

NI Bancshares, a Delaware corporation incorporated in 1990, is a registered bank holding company headquartered in Sycamore, Illinois. Its primary business is operating its bank subsidiary, NB&T, a national banking association headquartered in Sycamore, Illinois. The predecessor to NB&T was founded in 1867 and NB&T currently serves local businesses and individuals through a full range of services including business and retail banking, trust and wealth management, farm management and financial planning. It provides these financial services through ten banking locations throughout DeKalb, LaSalle and Kane Counties in Illinois. At September 30, 2015, NB&T had approximately \$680 million in total assets, \$606 million in deposits and \$415 million in loans. NB&T also had over \$700 million in trust assets under administration at September 30, 2015.

NI Bancshares common stock is not registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and, accordingly, the company does not file periodic or current reports with the SEC. NI Bancshares common stock is traded on the OTC Pink market place under the symbol NIBA.

See Information about First Midwest and NI Bancshares on page 66.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF FIRST MIDWEST**

You should read the selected consolidated financial data set forth below in conjunction with First Midwest's Management's Discussion and Analysis of Financial Condition and Results of Operations and the First Midwest Consolidated Financial Statements and related notes incorporated by reference into this proxy statement/prospectus. The financial data as of and for the fiscal years ended December 31, 2014, 2013, 2012, 2011 and 2010 is derived from First Midwest's audited financial statements. The financial data as of and for the nine month-periods ended September 30, 2015 and 2014 is derived from First Midwest's unaudited financial statements incorporated by reference into this proxy statement/prospectus, which have been prepared on the same basis as First Midwest's audited financial statements. See Where You Can Find More Information. First Midwest's historical results may not be indicative of First Midwest's future performance. In addition, results for the nine-month periods ended September 30, 2015 and 2014 may not be indicative of the results that may be expected for the full fiscal year or future periods.

	As of or for the nine months ended September 30,		As of or for the years ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
(dollars in thousands, except per share information)							
<b>Operating Results</b>							
Net income (loss)	\$65,740	\$54,713	\$69,306	\$79,306	\$(21,054)	\$36,563	\$(9,684)
Net income (loss) applicable to common shares	65,037	54,016	68,470	78,199	(20,748)	25,437	(19,717)
<b>Per Common Share Data</b>							
Basic earnings (loss) per common shares	\$0.84	\$0.73	\$0.92	\$1.06	\$(0.28)	\$0.35	\$(0.27)
Diluted earnings (loss) per common shares	0.84	0.73	0.92	1.06	(0.28)	0.35	(0.27)
Common dividends declared	0.27	0.23	0.31	0.16	0.04	0.04	0.04
Book value at period end	14.72	13.94	14.17	13.34	12.57	12.93	12.40
Market price at period end	17.54	16.09	17.11	17.53	12.52	10.13	11.52
<b>Performance Ratios</b>							
Return on average common equity	7.73%	6.99%	6.56%	8.04%	(2.14)%	2.69%	(2.06)%
Return on average assets	0.91%	0.86%	0.80%	0.96%	(0.26)%	0.45%	(0.12)%
Net interest margin tax-equivalent	3.70%	3.66%	3.69%	3.68%	3.86%	4.04%	4.13%
Non-performing loans to total loans(1)(2)	0.54%	1.18%	1.00%	1.14%	1.80%	3.86%	4.24%
Non-performing assets to total loans plus OREO(1)(2)	1.02%	1.76%	1.49%	2.13%	2.68%	4.85%	5.25%
<b>Balance Sheet Highlights</b>							
Total assets	\$9,935,046	\$9,096,351	\$9,445,139	\$8,253,407	\$8,099,839	\$7,973,594	\$8,138,302
Total loans	6,925,699	6,519,079	6,736,853	5,714,360	5,387,570	5,348,615	5,472,289
Deposits	8,296,450	7,616,133	7,887,758	6,766,101	6,672,255	6,479,175	6,511,476
Senior and subordinated debt	201,123	191,028	200,869	190,932	214,779	252,153	137,744
Stockholders' equity	1,147,669	1,049,676	1,100,775	1,001,442	940,893	962,587	1,112,045

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	As of or for the nine months ended September 30,		As of or for the years ended December 31,				2010
	2015	2014	2014	2013	2012	2011	
(dollars in thousands, except per share information)							
<b>Financial Ratios</b>							
Allowance for credit losses to loans, excluding acquired loans, including covered loans, annualized	1.14%	1.25%	1.24%	1.52%	1.91%	2.28%	2.65%
Net loan charge-offs to average loans, excluding acquired loans, including covered loans, annualized(2)	0.33%	0.68%	0.54%	0.55%	3.26%	1.91%	2.70%
<b>First Midwest Regulatory Capital Ratios(3)</b>							
Total capital to risk-weighted assets	11.43%	10.94%	11.23%	12.39%	11.90%	13.68%	16.27%
Tier 1 capital to risk-weighted assets	10.55%	9.86%	10.19%	10.91%	10.28%	11.61%	14.20%
Tier 1 common capital to risk-weighted assets (CETI)	10.00%	N/A	N/A	N/A	N/A	N/A	N/A
Tier 1 leverage to average assets	9.29%	8.93%	9.03%	9.18%	8.40%	9.28%	11.21%

**Footnotes to Selected Consolidated Financial Data of First Midwest**

- (1) Due to the impact of business combination accounting and protection provided by certain loss share agreements between First Midwest and the Federal Deposit Insurance Corporation, acquired loans and covered loans and covered other real estate owned ( OREO ) are excluded from these metrics to provide for improved comparability to prior periods and better perspective into asset quality trends. For a discussion of acquired and covered loans, see Notes 1 and 6 of Notes to the Consolidated Financial Statements in Item 8 of First Midwest's Annual Report on Form 10-K for the year ended December 31, 2014, which is incorporated into this proxy statement/prospectus by reference.
- (2) These ratios exclude acquired loans for all periods except for the nine months ended September 30, 2015.
- (3) Basel III Capital Rules became effective for the Company on January 1, 2015. These rules revise the risk-based capital requirements and introduce a new capital measure, Tier 1 common capital to risk-weighted assets. As a result, ratios subsequent to December 31, 2014 are computed using the new rules and prior periods presented are reported using the regulatory guidance applicable at that time.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF NI BANCSHARES**

You should read the selected consolidated financial data set forth below in conjunction with NI Bancshares' Consolidated Financial Statements and related notes included elsewhere in this proxy statement/prospectus. The financial data as of and for the fiscal years ended December 31, 2014, 2013, 2012, 2011 and 2010 is derived from NI Bancshares' audited financial statements. The financial data as of and for the nine month-periods ended September 30, 2015 and 2014 is derived from NI Bancshares' unaudited financial statements, which have been prepared on the same basis as NI Bancshares' audited financial statements. NI Bancshares' historical results may not be indicative of NI Bancshares' future performance. In addition, results for the nine-month periods ended September 30, 2015 and 2014 have not been audited and may not be indicative of the results that may be expected for the full fiscal year or future periods.

	As of or for the nine months ended September 30,		As of or for the years ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
(dollars in thousands, except per share information)							
<b>Operating Results</b>							
Net income	\$1,926	\$1,582	\$1,050	\$976	\$3,622	\$1,536	\$1,941
<b>Per Common Share Data</b>							
Basic and diluted earnings per average common share	\$1.82	\$1.51	\$1.00	\$0.93	\$2.68	\$1.09	\$1.36
Common dividends declared	264	262	525	522	589	591	597
Book value at period end	55.09	53.99	53.48	51.83	54.21	50.98	48.94
Market price at period end (unaudited)	36.11	38.98	38.25	40.02	34.00	25.50	33.00
<b>Performance Ratios</b>							
Return on average common equity	3.6%	3.0%	2.0%	2.3%	5.7%	2.4%	3.2%
Return on average assets	0.3%	0.2%	0.2%	0.2%	0.6%	0.3%	0.3%
Net interest margin tax-equivalent (unaudited)	3.30%	3.25%	3.32%	2.99%	3.28%	3.57%	3.33%
Non-performing loans to total loans (unaudited)	0.36%	1.20%	1.75%	1.57%	2.45%	2.39%	6.55%
Non-performing assets to total loans plus OREO (unaudited)	1.71%	2.37%	3.57%	3.55%	3.74%	4.40%	7.89%
<b>Balance Sheet Highlights</b>							
Total assets	\$678,687	\$669,548	\$611,854	\$611,906	\$592,879	\$593,197	\$561,877
Total loans net	411,426	404,524	407,491	383,074	334,246	318,144	328,203
Deposits	605,800	598,748	548,940	549,645	527,006	515,957	487,900
Senior and subordinated debt							
Long-term debt	3,600	4,800	3,600	4,800	6,000		
Stockholder equity	58,275	56,633	56,136	54,369	56,272	71,626	69,099
<b>Financial Ratios</b>							
Allowance for credit losses as a percentage of loans	1.00%	0.82%	0.95%	0.84%	1.20%	1.10%	1.24%
Net loan charge-off to average loans, annualized (unaudited)	0.11%	0.12%	0.18%	0.86%	0.08%	1.17%	0.87%
Total capital to risk-weighted assets	12.71%	12.7%	12.49%	12.89%	13.53%	17.99%	18.13%
Tier 1 capital to risk-weighted assets	11.80%	11.94%	11.62%	12.13%	14.59%	17.32%	17.06%
Tier 1 leverage to average assets	8.18%	8.21%	8.09%	8.04%	8.11%	10.7%	10.54%

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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading **Cautionary Statement Regarding Forward-Looking Statements**, you should carefully consider the following risk factors in deciding how to vote on the proposals presented in this proxy statement/prospectus. You should also consider the other information in, and the other documents incorporated by reference into, this proxy statement/prospectus, including in particular the risk factors associated with First Midwest's business contained under the heading **Risk Factors** in First Midwest's Annual Report on Form 10-K for the year ended December 31, 2014. See **Where You Can Find More Information**.*

***Because the market price of First Midwest common stock will fluctuate, NI Bancshares stockholders cannot be certain of the market value of the merger consideration they will receive.***

Upon completion of the merger, you will receive for each share of NI Bancshares common stock you hold immediately prior to the completion of the merger 2.8858 shares of fully paid and non-assessable First Midwest common stock, plus \$13.17 in cash (without interest thereon). Any change in the market price of First Midwest common stock prior to completion of the merger will affect the value of any shares of First Midwest common stock you receive as consideration in the merger. The market price of First Midwest common stock may fluctuate as a result of a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are outside our control. Accordingly, at the time of the special meeting, you will not know or be able to calculate the market price of First Midwest common stock you will receive upon completion of the merger.

***NI Bancshares will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on NI Bancshares and consequently on First Midwest. These uncertainties may impair NI Bancshares' ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with NI Bancshares to seek to change existing business relationships with NI Bancshares. Retention of certain employees may be challenging during the pendency of the merger, as employees may experience uncertainty about their future roles with First Midwest. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with First Midwest, First Midwest's business following the merger could be harmed. In addition, the merger agreement restricts NI Bancshares from making certain acquisitions and taking other specified actions without the consent of First Midwest, and generally requires NI Bancshares to continue its operations in the ordinary course, until the merger occurs. These restrictions may prevent NI Bancshares from pursuing attractive business opportunities that may arise prior to the completion of the merger. Please see the section entitled **The Merger Agreement - Conduct of Business Pending the Merger** on page 47 for a description of the restrictive covenants to which NI Bancshares is subject.

***Combining our two companies may be more difficult, costly or time-consuming than we currently expect, and we may fail to realize the anticipated benefits and cost savings of the merger.***



First Midwest and NI Bancshares have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on First Midwest's ability to successfully combine and integrate the NI Bancshares business into its own in a manner that permits growth opportunities and does not materially disrupt existing customer relationships or result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees. As with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks. The success of the combined company following the merger may

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depend in part on the ability of First Midwest to integrate the two businesses, business models and cultures. If First Midwest experiences difficulties in the integration process, including those listed above, First Midwest may fail to realize the anticipated benefits of the merger in a timely manner or at all. First Midwest's business or results of operations or the value of its common stock may be materially and adversely affected as a result.

***The market price of First Midwest common stock after the merger may be affected by factors different from those currently affecting First Midwest common stock.***

The businesses of First Midwest and NI Bancshares differ in some respects and, accordingly, the results of operations of the combined company and the market price of First Midwest common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of each of First Midwest or NI Bancshares. For a discussion of the business of First Midwest and of certain factors to consider in connection with the business of First Midwest, see the documents incorporated by reference into this proxy statement/prospectus and referred to under "Where You Can Find More Information," including in particular the section titled "Risk Factors" in First Midwest's Annual Report on Form 10-K for the year ended December 31, 2014.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.***

Before the merger and the bank merger may be completed, First Midwest and NI Bancshares must obtain approvals from the Federal Reserve and the IDFP. In addition, notice of the bank merger must be provided to the OCC. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals the regulators consider a variety of factors, including the regulatory standing of each party and the factors described under "The Merger - Regulatory Approvals Required for the Merger" on page 56. An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay their receipt. These regulators may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger. See "The Merger Agreement - Regulatory Approvals Required for the Merger" on page 56. Regulatory approvals could also be adversely impacted based on the status of any ongoing investigation of either party or its customers, including subpoenas to provide information or investigations, by a federal, state or local governmental agency. We cannot guarantee that we will be able to obtain all required regulatory approvals, the timing of those approvals or whether any conditions will be imposed.

***Some NI Bancshares directors and officers may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the merger.***

The interests of some of the directors and officers of NI Bancshares may be different from those of NI Bancshares stockholders generally, and directors and officers of NI Bancshares may be participants in arrangements that are different from, or in addition to, those of NI Bancshares stockholders, including:

- Per the terms of certain NI Bancshares employment agreements and benefit plans, NI Bancshares executive officers may become entitled to change in control, severance, or other payments upon the occurrence of the merger.

- NI Bancshares and its CEO, Mr. Cullen, are parties to an employment agreement that provides for certain severance benefits in the event of a qualifying termination of employment in connection with a change in control of NI Bancshares. In such instance, Mr. Cullen will be entitled to a payment equal to three times the sum of his current salary plus his average bonus for the preceding three years. In addition, he would be entitled to company paid insurance coverage for 18 months. Following termination for any reason, Mr. Cullen would be subject to non-competition and non-solicitation restrictions for 18 months. Additionally, upon the occurrence of a change in

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control, Mr. Cullen would become vested in company contributions to his deferred compensation account. In connection with the execution of the merger agreement, First Midwest and Mr. Cullen entered into a letter agreement outlining Mr. Cullen's employment by First Midwest as its Regional President of DeKalb County and his compensation arrangements that will become effective immediately following the closing of the merger. Under the letter agreement, First Midwest and Mr. Cullen have agreed to enter into a new employment agreement that will become effective immediately following the closing of the merger. The letter agreement provides for the termination of his prior employment agreement with NI Bancshares (other than the past post-employment restrictions) and of his participation in the CIC Severance Plan, described below, following the merger. In addition, the letter agreement sets forth the general terms and conditions of his employment following the merger. In recognition of termination of his existing agreement with NI Bancshares, continuation of the post-employment restrictions contained therein and as a retention incentive, the new employment agreement with First Midwest will provide for a cash payment to Mr. Cullen by First Midwest of \$447,516 following the merger and for a restricted stock award by First Midwest with a grant date value of \$447,516 and a vesting period of three years. Such aggregate amount is approximately 80% of the severance benefit Mr. Cullen would have been entitled to receive upon a qualifying termination in connection with the merger under the terms of his existing employment agreement with NI Bancshares.

- Certain executive officers of NI Bancshares are participants in the CIC Severance Plan. Under the CIC Severance Plan, if a covered officer is terminated without cause, or resigns for good reason, the officer will be entitled to severance payments ranging from 12 to 18 months of salary plus COBRA insurance continuation for 12 to 18 months with the officer responsible for the same level of payments as active employees. Following termination of employment, the covered officer will be subject to non-competition and non-solicitation restrictions for 12 to 18 months, corresponding to the length of severance benefits. First Midwest has agreed to honor the obligations of NI Bancshares under the CIC Severance Plan after the effective time of the merger. In connection with the execution of the merger agreement, First Midwest entered into letter agreements with two executive officers and four other officers setting forth employment and compensation arrangements that will become effective as of the effective date of the merger. The letter agreements provide for the officers' waiver of participation in the CIC Severance Plan, in return for a sign-on bonus falling in the range of \$25,000 to \$50,000.
- To the extent a director or executive officer holds unvested restricted stock awards, upon completion of the merger, such awards shall become fully earned, and vested per the terms of the NI Bancshares Corporation 2000 Stock Incentive Plan and the NI Bancshares Stock Plans and will be converted to cash and First Midwest common stock, and to the extent a director or officer holds vested or unvested stock options, the options will be cancelled and terminated in exchange for a cash payment discussed in the "You Will Receive Cash and Shares of First Midwest Common Stock in the Merger" section of this proxy statement/prospectus above. As of the date of the merger agreement, directors and executive officers, as a group, held unvested restricted stock awards with respect to 4,607 shares of NI Bancshares common stock and 42,166 vested stock options.
- Under the merger agreement, First Midwest has agreed to indemnify the directors and officers of NI Bancshares against liabilities arising out of actions or omissions occurring at or before the completion of the merger.
- The merger agreement also provides that, subject to certain limitations, First Midwest will maintain directors and officers' liability insurance for a period of six years after the merger is completed that provides at least the same coverage and amounts, and contains terms and conditions no less advantageous, as that coverage currently provided by NI Bancshares. See "The Merger Interests of Certain Persons in the Merger" on page 42.

These interests are described in more detail in "The Merger - Interests of Certain Persons in the Merger" on page 42.

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***The merger agreement limits NI Bancshares' ability to pursue alternatives to the merger.***

The merger agreement contains provisions that limit NI Bancshares' ability to solicit, encourage or discuss competing third-party proposals to acquire all or a significant part of NI Bancshares. These provisions, which include a \$2,800,000 termination fee, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of NI Bancshares from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire NI Bancshares than it might otherwise have proposed to pay.

***Termination of the merger agreement could negatively impact First Midwest or NI Bancshares.***

In the event the merger agreement is terminated, First Midwest's or NI Bancshares' business may be adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger. The market price of First Midwest common stock might decline to the extent that the current market price reflects a market assumption that the merger will be completed. If the merger agreement is terminated and NI Bancshares' board of directors seeks another merger or business combination, NI Bancshares stockholders cannot be certain that NI Bancshares will be able to find a party willing to offer equivalent or more attractive consideration than the merger consideration provided in the merger. If the merger agreement is terminated under certain circumstances, NI Bancshares may be required to pay First Midwest a termination fee of \$2,800,000. See "The Merger Agreement" "Termination of the Merger Agreement" on page 54.

***If the merger is not completed, First Midwest and NI Bancshares will have incurred substantial expenses without realizing the expected benefits of the merger.***

Each of First Midwest and NI Bancshares has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this proxy statement/prospectus and all filing and other fees paid to the SEC in connection with the merger. If the merger is not completed, First Midwest and NI Bancshares would have to recognize these expenses without realizing the expected benefits of the merger.

***Holdings of NI Bancshares common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

NI Bancshares stockholders currently have the right to vote in the election of the board of directors of NI Bancshares and on other matters affecting NI Bancshares. Upon the completion of the merger, each NI Bancshares stockholder who receives shares of First Midwest common stock will become a stockholder of First Midwest with a percentage ownership of First Midwest with respect to such shares that is smaller than the stockholder's current percentage ownership of NI Bancshares. Upon receiving 2.8858 shares of First Midwest common stock per issued and outstanding share of NI Bancshares common stock following the effective time of the merger, the former stockholders of NI Bancshares as a group would receive shares in the merger constituting approximately 3.8% of the outstanding shares of First Midwest common stock immediately after the merger based on the number of shares of First Midwest common stock outstanding as of January 19, 2016, the latest

practicable date before the printing of this proxy statement/prospectus. Because of this, NI Bancshares stockholders will have less influence on the management and policies of First Midwest than they now have on the management and policies of NI Bancshares.

*The opinion of NI Bancshares' financial advisor will not reflect changes in circumstances between the signing of the merger agreement and the completion of the merger.*

NI Bancshares has not obtained an updated opinion from Sheshunoff, its financial advisor, as of the date of this proxy statement/prospectus. Sheshunoff's opinion was based on certain facts and assumptions regarding the operations and prospects of First Midwest and NI Bancshares, general market and economic conditions and other factors. Changes in the operations and prospects of First Midwest or NI Bancshares, general market and economic conditions and other factors that may be beyond the control of First Midwest or NI Bancshares may significantly

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alter the value of First Midwest or NI Bancshares, the prices of the shares of First Midwest common stock by the time the merger is completed or the future price at which First Midwest common stock trades. Sheshunoff's opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. The opinion will not address the fairness of the merger consideration from a financial point of view at the time a NI Bancshares stockholder votes or at the time the merger is completed. However, NI Bancshares' Board of Directors' recommendation that NI Bancshares stockholders vote FOR adoption of the merger agreement is made as of the date of this proxy statement/prospectus. For a description of the opinion that NI Bancshares received from Sheshunoff, please refer to The Merger Opinion of NI Bancshares' Financial Advisor on page 30.

***The shares of First Midwest common stock you will receive as a result of the merger will have different rights from your shares of NI Bancshares common stock.***

The rights associated with NI Bancshares common stock are different from the rights associated with First Midwest common stock. Please see Comparison of Stockholder Rights on page 70 for a discussion of the different rights associated with First Midwest common stock.

***Under certain circumstances, the cash component of the merger consideration may be reduced due to environmental conditions and/or title defects on NI Bancshares' real property.***

Under certain circumstances, if certain environmental conditions and/or title defects exist with respect to NI Bancshares' real property and the cost to remediate and/or cure such conditions or defects is greater than \$150,000, the cash received by the holders of NI Bancshares common stock in connection with the merger will be reduced by such cost up to an aggregate amount of \$1,000,000. If such cost exceeds \$1,000,000, First Midwest may terminate the merger agreement or reduce the cash component of the consideration by \$1,000,000 and, subject to the satisfaction of all other conditions, proceed to the closing of the merger. If the merger is approved by the NI Bancshares stockholders, the cash consideration to be received by individual stockholders may be subject to this reduction without their further consent. See The Merger Agreement Merger Consideration on page 44.

***First Midwest will be subject to heightened regulatory requirements if it exceeds \$10 billion in assets.***

At September 30, 2015, First Midwest and First Midwest Bank had approximately \$9.9 billion in total consolidated assets. First Midwest and First Midwest Bank will exceed \$10 billion in total consolidated assets as a result of the transactions contemplated by the merger agreement or in the future if they continue to grow. Although First Midwest has developed infrastructure to address the regulatory requirements described below and believes it is prepared to exceed \$10 billion in total assets, exceeding \$10 billion in total assets will subject First Midwest and First Midwest Bank to heightened regulatory requirements and costs, risks and uncertainties associated therewith.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and its implementing regulations impose various additional requirements on bank holding companies with \$10 billion or more in total assets, including compliance with portions of the Federal



Reserve s enhanced prudential oversight requirements and annual stress testing requirements. In addition, banks with \$10 billion or more in total assets are primarily examined by the Consumer Financial Protection Bureau (the CFPB ) with respect to various federal consumer financial protection laws and regulations. As a relatively new agency with evolving regulations and practices, there is uncertainty as to how the CFPB s examination and regulatory authority might impact First Midwest and First Midwest Bank s business.

Compliance with these requirements may require First Midwest to hire additional compliance or other personnel, design and implement additional internal controls, or incur other significant expenses. Compliance with the annual stress testing requirements, part of which must be publicly disclosed, may also be misinterpreted by the market generally or First Midwest s customers and, as a result, may adversely affect First Midwest s stock price or First Midwest s ability to retain its customers or effectively compete for new business opportunities. To ensure compliance with these heightened requirements when effective, First Midwest s regulators may require it to fully comply with these requirements or take actions to prepare for compliance even before First Midwest s or First Midwest Bank s total assets equal or exceed \$10 billion. As a result, First Midwest may incur compliance-related costs before it might otherwise be required, including if First Midwest does not continue to grow at the rate it expects or at all. First Midwest s regulators may also consider its preparation for compliance with these regulatory requirements when examining its operations generally or considering any request for regulatory approval First

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Midwest may make, even requests for approvals on unrelated matters. These factors could have a material adverse effect on First Midwest's business, financial condition or results of operations.

***Completion of the merger is subject to certain conditions, and if these conditions are not satisfied or waived, the merger will not be completed.***

The obligations of First Midwest and NI Bancshares to complete the merger are subject to satisfaction or waiver (if permitted) of a number of conditions. The satisfaction of all of the required conditions could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause the combined company not to realize some or all of the benefits that the combined company expects to achieve if the merger is successfully completed within its expected timeframe. Further, there can be no assurance that the conditions to the closing of the merger will be satisfied or waived or that the merger will be completed. See The Merger Agreement Conditions to Completion of the Merger on page 53.

In addition, if the merger is not completed on or before November 12, 2016, either First Midwest or NI Bancshares may choose not to proceed with the merger. NI Bancshares may also terminate the merger agreement under certain circumstances. First Midwest may also terminate the merger agreement under certain circumstances. See The Merger Agreement Termination of the Merger Agreement on page 54.

***The financial forecasts reflected in the opinion of Sheshunoff, which is summarized beginning on page 30, involve risks, uncertainties and assumptions made by Sheshunoff, many of which are beyond the control of First Midwest and NI Bancshares. As a result, they may not prove to be accurate and are not necessarily indicative of current values or future performance of either First Midwest or NI Bancshares.***

The financial forecasts of Sheshunoff reflected in its fairness opinion, a copy of which is attached to this proxy statement/prospectus as *Appendix B*, and which is summarized beginning on page 30, involve risks, uncertainties and assumptions made by Sheshunoff and are not a guarantee of future performance. The future financial results of First Midwest and NI Bancshares and, if the merger is completed, the combined company, may materially differ from those expressed in the financial forecasts of Sheshunoff due to factors that are beyond First Midwest's and NI Bancshares' ability to control or predict. Neither First Midwest nor NI Bancshares can provide any assurance that these financial forecasts will be realized or that First Midwest's or NI Bancshares' future financial results will not materially vary from such financial forecasts. First Midwest did not provide its own financial forecasts and the management of First Midwest did not confirm or otherwise comment with respect to any estimates used by or the financial forecasts of Sheshunoff, nor do First Midwest or NI Bancshares undertake to update the forecasts reflected in Sheshunoff's fairness opinion. Such financial forecasts cover multiple years, and the information by its nature becomes subject to greater uncertainty with each successive year. These financial forecasts do not take into account any circumstances or events occurring after the date they were prepared.

More specifically, the financial forecasts of Sheshunoff:

- necessarily make numerous assumptions by Sheshunoff, many of which are beyond the control of First Midwest or NI Bancshares and may not prove to be accurate;

- do not necessarily reflect revised prospects for First Midwest's or NI Bancshares' businesses, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the forecasts were prepared;
- are not necessarily indicative of current values or future performance, which may be significantly more favorable or less favorable than is reflected in the forecasts; and
- should not be regarded as a representation that the financial forecasts will be achieved.

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The financial forecasts reflected in Sheshunoff's fairness opinion were not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or GAAP, and do not reflect the effect of any proposed or other changes in GAAP that may be made in the future.

**NI BANCSHARES SPECIAL MEETING**

This section contains information from NI Bancshares for NI Bancshares stockholders about the special meeting NI Bancshares has called to consider and approve the merger agreement and the transactions contemplated thereby, including the merger. We are mailing this proxy statement/prospectus to you, as a NI Bancshares stockholder, on or about January 22, 2016. Together with this proxy statement/prospectus, we are also sending to you a notice of the NI Bancshares special meeting and a form of proxy card that NI Bancshares' board of directors is soliciting for use at the special meeting of NI Bancshares stockholders and at any adjournments of the meeting.

This proxy statement/prospectus is also being furnished by First Midwest to NI Bancshares stockholders as a prospectus in connection with the issuance of shares of First Midwest common stock upon completion of the merger.

**Date, Time and Place**

The special meeting of NI Bancshares stockholders will be held on February 25, 2016, at 10:30 a.m. Central Time, at DeKalb County Farm Bureau, located at 1350 W. Prairie Drive, Sycamore, Illinois, 60178.

**Matters To Be Considered**

At the special meeting, NI Bancshares stockholders as of the record date will be asked to consider and vote on the following matters:

- To approve and adopt the merger agreement, pursuant to which NI Bancshares will merge with and into First Midwest, with First Midwest as the surviving entity of the merger, and to approve and adopt the other transactions contemplated thereby, including the merger.
- To approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of approving and adopting the merger agreement and the other transactions contemplated thereby, including the merger (which we refer to as the adjournment proposal).

- To act upon such other business as may properly come before the special meeting and any adjournments thereof.

**Recommendation of NI Bancshares Board**

NI Bancshares board of directors (i) believes that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of NI Bancshares and its stockholders and that the merger consideration is fair to NI Bancshares stockholders, (ii) has unanimously approved and adopted the merger agreement and (iii) unanimously recommends that NI Bancshares stockholders vote FOR approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the adjournment proposal. See The Merger NI Bancshares Reasons for the Merger and Recommendations of the Board of NI Bancshares on page 28 for a more detailed discussion of NI Bancshares board of directors recommendation with regard to the merger agreement and the transactions contemplated thereby, including the merger.

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**Record Date and Quorum**

NI Bancshares' board of directors has fixed the close of business on January 11, 2016 as the record date for determining the NI Bancshares stockholders entitled to receive notice of and to vote at the special meeting. NI Bancshares stockholders are entitled to **one vote on each matter considered and voted on at the special meeting for each share of NI Bancshares common stock held of record at the close of business on the record date.** Only NI Bancshares stockholders of record as of the record date are entitled to notice of and to vote at the special meeting and any adjournments of the special meeting.

As of the record date, 1,057,815 shares of NI Bancshares common stock were issued and outstanding and held by approximately 312 record holders. The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of NI Bancshares common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. All shares of NI Bancshares common stock present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting but shares represented by a proxy from a broker, bank or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote the shares, which we refer to as broker non-votes, will not be counted as shares present.

**Vote Required; Treatment of Abstentions and Failure to Vote**

Approval of the merger agreement and the transactions contemplated thereby, including the merger, requires the affirmative vote of NI Bancshares stockholders representing a majority of the outstanding shares of NI Bancshares common stock as of the record date. The merger agreement and the completion of the transactions contemplated thereby, including the merger, will not require the approval of the holders of First Midwest common stock under the DGCL or applicable rules of the NASDAQ Stock Market. If you fail to submit a proxy card or vote in person at the NI Bancshares special meeting, mark **ABSTAIN** on your proxy card or fail to instruct your bank or broker with respect to the proposal to approve the merger agreement and the transactions contemplated thereby, including the merger, it will have the same effect as a vote **AGAINST** approval of the merger agreement and the transactions contemplated thereby, including the merger.

Approval of the adjournment proposal requires the affirmative vote of a majority of votes cast at the special meeting. If you mark **ABSTAIN** with respect to the adjournment proposal, it will have the same effect as a vote **AGAINST** the adjournment proposal. If you fail to submit a proxy card or vote in person at the special meeting or fail to instruct your bank or broker with respect to the adjournment proposal, it will have no effect on such proposal.

**Shares Held by Directors and Officers**

As an inducement to and condition of First Midwest's willingness to enter into the merger agreement, all of the directors and certain officers of NI Bancshares and NB&T who beneficially owned in the aggregate approximately 21% of NI Bancshares' outstanding common stock as of November 12, 2015 entered into voting agreements, pursuant to which, among other things, they agreed to vote all of their shares of NI Bancshares common stock in favor of approval of the merger agreement and the transactions contemplated thereby, including the merger,

other matters required to be approved or adopted to effect the merger and any other transactions contemplated by the merger agreement. See  
The Merger Interests of Certain Persons in the Merger .

As of the record date, First Midwest and its subsidiaries held no shares of NI Bancshares common stock and none of its directors and executive officers or their affiliates held any shares of NI Bancshares common stock.

**Participants in the NI Bancshares Stock Plans**

NI Bancshares sponsors the NI Bancshares Stock Plans. Per the terms of the NI Bancshares Stock Plans, and award agreements thereunder, holders of stock options do not have voting rights with respect to the shares

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underlying unexercised stock options, whereas recipients of restricted stock awards are entitled to vote on behalf of underlying shares, even while subject to vesting requirements, from the date of grant until such awards are forfeited. Holders of NI Bancshares restricted stock will vote in the same manner as holders of NI Bancshares common stock, as discussed above. As of the record date, participants in the NI Bancshares Stock Plans held approximately 23% of the shares entitled to vote at the special meeting.

**Solicitation of Proxies; Payment of Solicitation Expenses**

Proxies are being solicited by NI Bancshares board of directors from NI Bancshares stockholders. Shares of NI Bancshares common stock represented by properly executed proxies, and that have not been revoked, will be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated, such proxies will be voted FOR approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger, FOR the adjournment proposal, and in the discretion of the individuals named as proxies as to any other matter that may come before the special meeting.

First Midwest and NI Bancshares have agreed to each pay for one-half of the costs and expenses (excluding the fees and disbursements of counsel, financial advisors and accountants) of copying, printing and distributing this proxy statement/prospectus and all listing, filing or registration fees, including fees paid for filing the registration statement of which this proxy statement/prospectus is a part with the SEC and any other fees paid for filings with governmental authorities. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers or employees of NI Bancshares or its affiliates telephonically, electronically or by other means of communication. Directors, officers and employees will receive no additional compensation for such solicitation. NI Bancshares will reimburse brokers and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

**Voting Your Shares via Mail**

You may vote your proxy by mailing your Proxy Card to American Stock Transfer & Trust Company, NI Bancshares transfer agent. Please complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided to American Stock Transfer & Trust Company, Attn: Proxy Dept., 6201 15th Avenue, Brooklyn, NY 11219, before 5:00 p.m. Eastern Time on February 24, 2016.

In order to be effective, proxy instructions must be received before the time indicated above to allow for processing the results.

**Revocability of Proxies and Changes to a NI Bancshares Stockholder's Vote**

A NI Bancshares stockholder who has given a proxy may revoke it at any time before its exercise at the special meeting by (i) giving a written notice of revocation to James W. Dutton, Chairman of the Board of NI Bancshares, (ii) attending the special meeting in person and voting by ballot at the special meeting, or (iii) by properly submitting to NI Bancshares a duly executed proxy bearing a later date. All written notices of revocation and other communications with respect to revocation of proxies should be addressed to NI Bancshares as follows: 230 West State Street, Sycamore, Illinois 60178, Attention: James W. Dutton, Chairman of the Board.



**Attending the Meeting**

All NI Bancshares stockholders, including stockholders of record and stockholders who hold their shares through brokers, trusts, banks, nominees, the NI Bancshares Stock Plans or any other holder of record, are invited to attend the special meeting. Stockholders of record can vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. NI Bancshares reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

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**THE MERGER**

*The following discussion describes certain material information about the merger. We urge you to read carefully this entire document, including the merger agreement and the financial advisor opinion attached as Appendices A and B, respectively, to this proxy statement/prospectus, for a more complete understanding of the merger.*

NI Bancshares' board of directors has unanimously approved and adopted the merger agreement and the transactions contemplated thereby, including the merger. The merger agreement provides for combining our companies through the merger of NI Bancshares with and into First Midwest, with First Midwest as the surviving corporation. As a result, the separate existence of NI Bancshares will terminate. Following the merger at a time yet to be determined, NB&T, NI Bancshares' wholly owned bank subsidiary, will merge with and into First Midwest Bank, First Midwest's wholly owned bank subsidiary. We expect to complete the mergers in the first quarter of 2016, although delays may occur.

Upon completion of the merger, NI Bancshares stockholders will receive for each share of NI Bancshares common stock that they own immediately prior to the completion of the merger 2.8858 fully paid and non-assessable shares of First Midwest common stock plus \$13.17 in cash, without interest. However, if certain environmental conditions and/or title defects exist with respect to NI Bancshares' real property and the cost to remediate and/or cure such conditions or defects is greater than \$150,000, the cash received by the holders of NI Bancshares common stock in connection with the merger will be reduced by such cost up to an aggregate amount of \$1,000,000. If such cost exceeds \$1,000,000, First Midwest may terminate the merger agreement or reduce the cash component of the consideration by \$1,000,000 and, subject to the satisfaction of all other conditions, proceed to the closing of the merger. In addition, NI Bancshares will have a right to terminate the merger agreement if the volume weighted average closing price of First Midwest common stock during a specified period before the effective time of the merger both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, NI Bancshares would not have the right to terminate the merger agreement under these circumstances if First Midwest were to elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances.

Upon completion of the merger, each outstanding stock option (vested or unvested) to purchase NI Bancshares common stock will be cancelled and terminated in exchange for the right to receive cash, without any interest and subject to any required withholding tax, in an amount equal to the merger consideration value per share, as defined in the merger agreement, minus the applicable exercise price of such outstanding stock option, multiplied by the number of shares of NI Bancshares common stock covered by such outstanding stock option. Any out-of-the-money stock options granted by NI Bancshares will be cancelled and no consideration will be provided. An out-of-the-money stock option is an outstanding stock option for which the exercise price per share is greater than or equal to the merger consideration value per share described above. The merger consideration value per share means the sum of (i) the product of (a) 2.8858 multiplied by (b) the price of First Midwest common stock on the trading day immediately prior to the effective time of the merger, as provided in the merger agreement, plus (ii) \$13.17.

Upon completion of the merger, each outstanding unvested restricted stock award will become fully vested and the shares of NI Bancshares covered by such award shall be exchanged for the same merger consideration as all other shares of NI Bancshares common stock. Shares of NI Bancshares common stock received upon vesting of restricted stock awards or exercise of stock options and held immediately prior to the effective time of the merger will also receive the merger consideration.

Shares of First Midwest common stock issued and outstanding at the completion of the merger will remain outstanding and those shares of common stock will be unaffected by the merger. First Midwest common stock will



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continue to trade on the NASDAQ Stock Market following the merger under the First Midwest Bancorp, Inc. name with the symbol FMBI.

Please see The Merger Agreement for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

**Background of the Merger**

NI Bancshares' board of directors and senior management regularly review and evaluate NI Bancshares' business, strategic direction, performance, prospects and strategic alternatives. In early 2015, NI Bancshares' senior management had discussions with representatives of Sheshunoff, an investment banking firm, regarding NI Bancshares' strategic alternatives, including a possible merger of equals, a sale of the organization or growing the organization either organically or through acquisitions. Representatives of Barack Ferrazzano, NI Bancshares' special counsel, also met with members of management and the board of directors to discuss the legal and fiduciary implications of NI Bancshares' exploration of strategic alternatives. At a meeting of the board of directors in February, 2015, Barack Ferrazzano gave a comprehensive presentation concerning the fiduciary duties of the board of directors when considering strategic alternatives and engaged in extensive discussion with the directors regarding these duties.

Over the next several weeks, NI Bancshares' senior management and representatives from Sheshunoff discussed the advantages and disadvantages of remaining an independent financial institution, the historical performance and strategic direction of NI Bancshares, increased competition in NB&T's market area, anticipated increases in operating and regulatory costs and capital requirements and the lack of liquidity in NI Bancshares' common stock. In addition, they discussed the range of possible valuations for a sale of NI Bancshares and potential transaction partners. As part of this discussion, NI Bancshares' senior management considered the increasing amount of competition in the communities that NB&T serves and within the greater Chicago metropolitan area, the continuing low interest rate environment and trends in mergers and acquisitions in the financial services sector.

Following these discussions, NI Bancshares' senior management asked Sheshunoff to prepare a presentation to discuss strategic alternatives with the board of directors. NI Bancshares' board of directors held a meeting in March, 2015, and reviewed with Sheshunoff its presentation and evaluated the current banking environment, financial services industry trends, merger and acquisition activity within the industry, trends in pricing of bank transactions and NI Bancshares' strategic alternatives, including, but not limited to, a possible merger with or sale to a larger institution. Sheshunoff discussed with NI Bancshares' board the potential pricing NI Bancshares might anticipate should it decide to consider a possible sale transaction. Sheshunoff also identified several financial institutions, including First Midwest, that could have interest in a possible business combination with NI Bancshares and provided the board of directors with a potential timeline for any such transaction.

Following this financial presentation, NI Bancshares' board engaged in a detailed discussion regarding the prospects of the organization in light of the risks and uncertainties related to increased competition in NB&T's market area, anticipated increases in operating and regulatory costs and capital requirements and the continuing low interest rate environment, and the possible strategic alternatives discussed with Sheshunoff. At a meeting of the board of directors held on May 21, 2015, NI Bancshares' board authorized management to investigate possible strategic transactions and approved the engagement of Sheshunoff as its financial advisor. NI Bancshares' board also formed a capital committee comprised of independent directors to gather relevant information regarding any potential strategic transaction and to prepare and present to the board of directors any proposals with respect thereto. NI Bancshares' board instructed Sheshunoff to continue evaluating the market and identifying possible transaction partners. NI Bancshares and Sheshunoff entered into a formal engagement letter on May 21, 2015.

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Sheshunoff then began a comprehensive due diligence review of NI Bancshares and NB&T, meeting with members of NI Bancshares management, and began developing confidential marketing materials concerning NI Bancshares. Sheshunoff also performed due diligence regarding potential acquisition transaction partners.

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Representatives of Barack Ferrazzano met with members of the NI Bancshares management team and the capital committee to discuss certain employee benefits matters, including the formation of a bank-wide severance plan. On June 18, 2015, Sheshunoff gave a financial presentation to the board of directors which included, among other matters, a list of prospective acquirers divided into two tiers based on the likelihood, in Sheshunoff's judgment, of being a suitable strategic partner. After the board of directors and the capital committee gave their input to this bifurcated list and the offering memorandum, Sheshunoff began contacting prospective bidders and distributed confidentiality agreements to those bidders included on the Tier 1 list. Sheshunoff provided copies of the confidential marketing materials to each party that had executed a confidentiality agreement. On July 7, 2015, representatives of Sheshunoff approached First Midwest to notify it of the auction to be conducted for NI Bancshares and, on July 15, 2015, First Midwest entered into a confidentiality agreement with NI Bancshares and Sheshunoff. First Midwest engaged Sandler O'Neill + Partners (Sandler O'Neill) to advise First Midwest on the potential acquisition of NI Bancshares.

At a meeting of NI Bancshares' board on July 16, 2015, Sheshunoff reviewed the results of the sale process with NI Bancshares' board and management. Sheshunoff reported that it had contacted twenty prospective strategic partners, eight of which had executed confidentiality agreements and received copies of the confidential marketing materials and access to an electronic data room. Sheshunoff continued working with potential strategic partners, including First Midwest, with the goal of receiving initial indications of interest by late July or early August. By July 22, 2015, a total of 11 strategic partners had executed confidentiality agreements and received copies of the confidential marketing materials and access to an electronic data room.

On August 7, 2015, First Midwest submitted a preliminary non-binding indication of interest for NI Bancshares. At a meeting of the capital committee held on August 12, 2015, Sheshunoff presented an in-depth report regarding First Midwest's indication of interest for a proposed acquisition with First Midwest, subject to completion of its due diligence and the negotiation of a definitive agreement. Sheshunoff and the capital committee discussed the price range of the proposal received, the form of consideration offered, the reputation of First Midwest, the strategic opportunity offered by the possible transaction and the perceived ability of First Midwest to complete a transaction. The board members asked Sheshunoff a number of questions regarding the indication of interest and its terms. They also engaged in a long discussion among themselves regarding the advisability of proceeding with any type of strategic transaction, and if so, the relative advantages and disadvantages of the indication of interest. They also discussed whether to contact additional potential strategic partners. On August 20, 2015, NI Bancshares' board of directors met to review recommendations of the capital committee regarding the indication of interest submitted by First Midwest, including the terms of a counter-proposal. The board of directors authorized Sheshunoff to communicate these certain terms to First Midwest and, that same day, First Midwest and representatives from Sandler O'Neill held discussions with NI Bancshares' representatives from Sheshunoff to discuss NI Bancshares' potential counter proposal.

On September 24, 2015, members of the senior management of First Midwest and NI Bancshares, along with representatives of Sheshunoff and Sandler O'Neill, met at First Midwest's headquarters in order for First Midwest to conduct interviews with members of NI Bancshares management, and to allow First Midwest to hold discussions with Sheshunoff regarding interim financial results and analyst earnings expectations for 2015 and 2016.

At about this time, NI Bancshares' Chief Executive Officer was approached by a financial institution that indicated it was interested in exploring a possible transaction with NI Bancshares. After consultation with the board of directors and entry into a confidentiality agreement, Sheshunoff provided the institution with the confidential marketing materials and allowed the institution to conduct due diligence to the same degree as First Midwest. The institution presented NI Bancshares with a preliminary indication of interest in early October. While NI Bancshares considered this preliminary indication of interest, First Midwest continued its due diligence process.

After receiving an updated indication of interest from First Midwest on October 9, 2015, Sheshunoff engaged in discussions with both First Midwest and the second financial institution to clarify elements of their proposals, including with respect to the nature and amount of the financial consideration. Thereafter, the board again met with its legal and financial representatives to review the indications of interest and to

compare the opportunities offered by the possible transactions with First Midwest and the other financial institution. The board ultimately concluded that, given the relative merits of the proposals presented by Sheshunoff, the indication of

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interest from First Midwest was the more attractive proposal received, as the other indication of interest included a lower amount of consideration and other less desirable terms, including timing, certainty of transaction execution and liquidity aspects. The board determined that NI Bancshares should continue to move forward with First Midwest, allowing First Midwest to conduct additional due diligence in order to obtain a final bid.

On October 15, 2015, NI Bancshares directed Sheshunoff to submit a counter proposal as to valuation and certain other terms of a transaction and, that same day, First Midwest communicated a counter proposal to Sheshunoff, through Sandler O'Neill, as to valuation and certain other terms of a transaction.

On October 16, 2015, NI Bancshares directed Sheshunoff to communicate its acceptance of First Midwest's final offer of approximately \$71 million consisting of cash and stock of First Midwest with a thirty-day exclusivity period to negotiate and publicly announce a definitive agreement.

On October 21, 2015, First Midwest and NI Bancshares entered into an exclusivity agreement. This allowed First Midwest to conduct its due diligence through November, 2015. Throughout the due diligence process, Sheshunoff remained in contact with First Midwest to assist in the due diligence process, including by providing requested information and by participating in the negotiation of the terms of the merger agreement.

On October 23, 2015, NI Bancshares and Barack Ferrazzano received an initial draft of the merger agreement from Chapman and Cutler, First Midwest's outside counsel. From that time until November 12, 2015, First Midwest continued its due diligence process and NI Bancshares, Sheshunoff and Barack Ferrazzano negotiated the terms of the merger agreement and related documents with First Midwest, Chapman and Cutler and Sandler O'Neill.

The boards of directors of NI Bancshares and NB&T each held a special meeting on November 9, 2015. Representatives of Barack Ferrazzano and Sheshunoff reviewed with the boards of directors the process leading to the proposed transaction and the course of negotiations with First Midwest. Representatives of Barack Ferrazzano reviewed with the boards of directors the terms of the then current draft of the merger agreement including the scope of the representations and warranties, the nature of NI Bancshares' operating covenants prior to closing and the proposed closing conditions and termination provisions, including an explanation regarding the break-up fee provisions. Sheshunoff provided to the boards of directors a financial analysis of the proposed transactions with First Midwest and reviewed in detail with the boards the terms of the merger consideration, including a discussion of the floor and cap to the exchange ratio. At that meeting, Sheshunoff provided its oral and written opinion that the financial terms of the Agreement were fair to NI Bancshares and its stockholders from a financial point of view. The boards engaged in a long discussion amongst themselves and with NI Bancshares' advisors regarding the proposed draft of the merger agreement, including the final business terms of the transaction.

After the conclusion of the presentations and discussions at the November 9, 2015 meeting, NI Bancshares' board of directors unanimously approved the merger agreement, the merger and related documents, adopted resolutions recommending that NI Bancshares stockholders approve and adopt the merger agreement and the merger, and authorized the NI Bancshares officers to execute the merger agreement on behalf of NI Bancshares in substantially the form reviewed by the board subject to such changes agreed to by the authorized officers of NI Bancshares. On the same day, the NB&T board of directors unanimously approved the merger of the bank with and into First Midwest Bank and recommended to its sole stockholder, NI Bancshares, that it approve the merger, which was subsequently approved by NI Bancshares.



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After the conclusion of the presentations and discussions at the November 10, 2015 meeting, First Midwest's board of directors unanimously approved the merger agreement, the merger and related documents, and authorized the First Midwest officers to execute the merger agreement on behalf of First Midwest in substantially the form reviewed by the board subject to such changes agreed to by the authorized officers of First Midwest. On the same day, the First Midwest Bank board of directors unanimously approved the merger of the bank with and into

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NB&T and recommended to its sole stockholder, First Midwest, that it approve the merger, which was subsequently approved by First Midwest.

On November 12, 2015, the merger agreement and related documents were finalized and executed by NI Bancshares and First Midwest. First Midwest issued a press release the morning of November 12, 2015, announcing the execution of the merger agreement.

**First Midwest's Reasons for the Merger**

First Midwest's board of directors believes that the merger is in the best interests of First Midwest and its stockholders. In deciding to approve the merger, First Midwest's board of directors considered a number of factors, including:

- management's view that the acquisition of NI Bancshares provides an attractive opportunity to expand into desirable markets in DeKalb County, Kane County and LaSalle County, Illinois, and surrounding areas, as well as significantly expand First Midwest's wealth management business;
- NI Bancshares' community banking orientation and its compatibility with First Midwest and its subsidiaries;
- a review of the markets in which NI Bancshares operates;
- management's review of the business, operations, earnings and financial condition, including capital levels and asset quality, of NB&T;
- projected efficiencies to come from integrating certain of NI Bancshares' operations into First Midwest's existing operations; and
- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

The above discussion of the information and factors considered by First Midwest's board of directors is not intended to be exhaustive, but includes a description of all material factors considered by First Midwest's board. First Midwest's board of directors further considered various risks and uncertainties related to each of these factors and the ability to complete the merger. In view of the wide variety of factors considered by

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First Midwest's board of directors in connection with its evaluation of the merger, First Midwest's board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. First Midwest's board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of First Midwest stockholders and that the benefits expected to be achieved from the merger outweigh the potential risks and vulnerabilities.

### **NI Bancshares Reasons for the Merger and Recommendations of the Board of NI Bancshares**

NI Bancshares' board of directors has concluded that the merger offers NI Bancshares stockholders an attractive opportunity to achieve the board's strategic business objectives, including increasing stockholder value,

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growing the size of the business and enhancing liquidity for NI Bancshares stockholders. In addition, NI Bancshares board of directors believes that the customers and communities served by NB&T will benefit from the merger.

In deciding to approve the merger agreement and the transactions contemplated thereby, NI Bancshares board of directors consulted with NI Bancshares management, as well as its legal counsel, Barack Ferrazzano, and financial advisor, Sheshunoff, and considered numerous factors, including the following:

- information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of NI Bancshares and First Midwest, both individually and as a combined company;
- the value to be received by NI Bancshares stockholders in the merger as compared to stockholder value projected for NI Bancshares as an independent entity;
- the enhanced liquidity for NI Bancshares stockholders, including with respect to the First Midwest common stock to be received in the merger;
- the compatibility of NI Bancshares geographical footprint with that of First Midwest and the expansion of product and service availability to the communities currently served by NI Bancshares;
- the market value of First Midwest common stock prior to the execution of the merger agreement and the prospects for future appreciation in the stock;
- the perceived risks and uncertainties attendant to NI Bancshares operation as an independent banking organization, including the risks and uncertainties related to the continuing low-interest rate environment, competition in NI Bancshares market area, increased operating and regulatory costs and increased capital requirements;
- the NI Bancshares board of directors belief that combining with a larger financial institution will benefit stockholders and customers in that the combined organization will be better equipped to respond to economic and industry developments and should be better positioned to develop and build on its position in existing markets;

- the fact that First Midwest is publicly held and the merger would provide access to a public trading market for NI Bancshares stockholders whose investment is currently in a company with a very limited trading market;
- the effects of the merger on NI Bancshares employees, including the retention of a significant number of employees and their ability to participate in First Midwest's benefit plans;
- the status of First Midwest as a regular participant in the mergers and acquisitions market within the banking industry and the likelihood that its sophistication in such matters would result in greater execution certainty and provide for efficiencies in connection therewith; and
- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

The above discussion of the information and factors considered by NI Bancshares board of directors is not intended to be exhaustive, but includes a description of all material factors considered by NI Bancshares board. NI Bancshares board of directors further considered various risks and uncertainties related to each of these factors and the ability to complete the merger. In view of the wide variety of factors considered by NI Bancshares board of directors in connection with its evaluation of the merger, NI Bancshares board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. NI Bancshares board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is

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in the best interests of NI Bancshares stockholders and that the benefits expected to be achieved from the merger outweigh the potential risks and vulnerabilities.

After considering the foregoing and other relevant factors and risks, and their overall impact on the stockholders and other constituencies of NI Bancshares, NI Bancshares' board of directors concluded that the anticipated benefits of the merger outweighed the anticipated risks of the transaction. Accordingly, NI Bancshares' board of directors unanimously approved the merger agreement and the merger, and the board of directors unanimously recommends that NI Bancshares stockholders vote FOR the proposal to approve and adopt the merger agreement and the merger.

**Opinion of NI Bancshares' Financial Advisor**

NI Bancshares engaged Sheshunoff to provide an opinion as to the fairness from a financial viewpoint to NI Bancshares stockholders of the merger consideration to be received by the stockholders of NI Bancshares. As part of its investment banking business, Sheshunoff is regularly engaged in the valuation of securities in connection with mergers and acquisitions and valuations for tax, financial reporting, corporate and other purposes. NI Bancshares retained Sheshunoff based upon its experience as a financial advisor in mergers and acquisitions of financial institutions and its knowledge of financial institutions.

On November 9, 2015, Sheshunoff rendered its fairness opinion to the board of directors of NI Bancshares that, as of such date, the merger consideration was fair, from a financial point of view, to the stockholders of NI Bancshares. The full text of the fairness opinion which sets forth, among other things, assumptions made, procedures followed, matters considered, and limitations on the review undertaken, is attached as *Appendix B* to this proxy statement/prospectus. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. You are urged to read Sheshunoff's fairness opinion carefully and in its entirety. The fairness opinion is addressed to the board of directors of NI Bancshares and does not constitute a recommendation to any stockholder of NI Bancshares as to how he, she or it should vote at the special meeting of the stockholders of NI Bancshares.

Sheshunoff acted as financial advisor to NI Bancshares in connection with the proposed merger with First Midwest and participated in the negotiations leading to the merger agreement. As part of its engagement, Sheshunoff assessed the fairness, from a financial point of view, of the merger consideration being received by the stockholders of NI Bancshares. Sheshunoff attended the October 15, 2015 meeting at which NI Bancshares' board of directors considered the merger agreement. At that meeting, Sheshunoff presented its financial analysis of the transaction. On November 9, 2015, Sheshunoff delivered to the board of directors its oral opinion, subsequently provided in final written form that same day, that the terms of the merger agreement were fair to NI Bancshares, and its stockholders, from a financial point of view. Sheshunoff prepared the fairness opinion in connection with its general engagement to advise NI Bancshares in its exploration of strategic alternatives as further described in *Background of the Merger*.

You should consider the following when reading the discussion of Sheshunoff's opinion in this proxy statement/prospectus:

- The opinion letter details the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by Sheshunoff in connection with its opinion, and should be read in its entirety;

- Sheshunoff expressed no opinion as to the price at which shares of NI Bancshares or First Midwest common stock would actually be trading at any given time;
- Sheshunoff's opinion does not address the relative merits of the merger and the other business strategies considered by NI Bancshares' board of directors, nor does it address the board of directors' decision to proceed with the merger; and

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- Sheshunoff's opinion rendered in connection with the merger does not constitute a recommendation to any NI Bancshares stockholder as to how he or she should vote at the special meeting.

In connection with the fairness opinion, Sheshunoff:

- Reviewed the latest draft of the merger agreement;
- Discussed the terms of the merger agreement with the management of NI Bancshares and NI Bancshares legal counsel;
- Conducted conversations with the management of NI Bancshares regarding the recent and projected financial performance of NI Bancshares;
- Evaluated the financial condition of NI Bancshares based upon a review of regulatory reports for the five-year period ended December 31, 2014 and interim period through September 30, 2015, and internally-prepared financial reports for NI Bancshares for the interim period through September 30, 2015;
- Compared NI Bancshares' recent operating results with those of certain other banks in the United States and the Midwest Region of the United States, as defined by SNL Financial, that have recently been acquired;
- Compared the pricing multiples for NI Bancshares in the merger to recent acquisitions of banks in the United States and the Midwest Region of the United States, as defined by SNL Financial, with similar characteristics to NI Bancshares;
- Analyzed the present value of the after-tax cash flows based on projections on a stand-alone basis approved by NI Bancshares through the five-year period ending September 30, 2020;
- Reviewed the potential pro forma impact of the merger on the combined company's results and certain financial performance measures of NI Bancshares and First Midwest;



- Discussed certain matters regarding First Midwest's regulatory standing, financial performance, and business prospects with First Midwest officers and representatives;
- Reviewed certain internal and publicly available information regarding First Midwest that Sheshunoff deemed relevant;
- Compared First Midwest's recent operating results and pricing multiples with those of certain other publicly traded banks in the Midwest Region as defined by SNL financial that Sheshunoff deemed relevant;
- Reviewed available stock analyst research reports concerning First Midwest;
- Compared the historical stock price data and trading volume of First Midwest to certain relevant indices; and
- Performed such other analyses deemed appropriate.

For the purposes of the fairness opinion, Sheshunoff assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to it by NI Bancshares in conjunction with the fairness opinion. Sheshunoff assumed that any projections provided by or approved by NI Bancshares were

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reasonably prepared on a basis reflecting the best currently available estimates and judgments of NI Bancshares management. Sheshunoff assumed such forecasts and projections will be realized in the amounts and at times contemplated thereby. Sheshunoff assumes no responsibility for and expresses no opinion on any such projections or the assumptions on which they are based. In addition, where appropriate, Sheshunoff relied upon publicly available information that is believed to be reliable, accurate, and complete; however, Sheshunoff cannot guarantee the reliability, accuracy, or completeness of any such publicly available information.

Sheshunoff did not make an independent evaluation of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of NI Bancshares or First Midwest nor was Sheshunoff furnished with any such appraisal. Sheshunoff assumed that any off-balance-sheet activities of NI Bancshares or First Midwest will not materially and adversely impact the future financial position or results of operations of First Midwest after the merger. Sheshunoff is not an expert in the evaluation of loan portfolios for the purposes of assessing the adequacy of the allowance for loan and lease losses and assumed that such allowances for NI Bancshares and First Midwest are, respectively, adequate to cover such losses.

Sheshunoff assumed that the merger agreement, as provided to Sheshunoff, will be without any amendment or waiver of, or delay in the fulfillment of, any terms or conditions set for in the terms provided to Sheshunoff or any subsequent development that would have a material adverse effect on NI Bancshares or First Midwest and thereby on the results of its analyses. Sheshunoff assumed that any and all regulatory approvals, if required, will be received in a timely fashion and without any conditions or requirements that could adversely affect the operations or financial condition of First Midwest after the completion of the merger.

The fairness opinion is necessarily based on economic, market, regulatory, and other conditions as in effect on, and the information made available to Sheshunoff as of November 9, 2015.

In rendering the fairness opinion, Sheshunoff performed a variety of financial analyses. The preparation of an opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Consequently, the fairness opinion is not readily susceptible to partial analysis or summary description. Moreover, the evaluation of fairness, from a financial point of view, of the merger consideration is to some extent subjective, based on the experience and judgment of Sheshunoff, and not merely the result of mathematical analysis of financial data. Sheshunoff did not attribute particular weight to any analysis or factor considered by it. Accordingly, notwithstanding the separate factors summarized below, Sheshunoff believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. The ranges of valuations resulting from any particular analysis described below should not be taken to be Sheshunoff's view of the actual value of NI Bancshares, First Midwest or the combined entity.

In performing its analyses, Sheshunoff made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of NI Bancshares or First Midwest. The analyses performed by Sheshunoff are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, Sheshunoff's analyses should not be viewed as determinative of the opinion of the board of directors or the management of NI Bancshares with respect to the value of NI Bancshares or First Midwest or to the fairness of the merger consideration.

The following is a summary of the analyses performed by Sheshunoff in connection with its opinion. The discussion utilizes financial information concerning NI Bancshares and First Midwest as of September 30, 2015 that is believed to be reliable, accurate, and complete; however, Sheshunoff cannot guarantee the reliability, accuracy, or completeness of any such publicly available information.

Pursuant to the merger agreement dated November 12, 2015, First Midwest has agreed to exchange \$71.0 million in cash and common stock for all of the outstanding shares of common stock and options of NI Bancshares. The consideration will consist of approximately \$15.3 million in cash and \$55.7 million in common stock of First

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Midwest. The number of shares of First Midwest common stock to be issued was based upon the average of the prices of the First Midwest common stock on the fifteen consecutive NASDAQ Stock Market trading days on a volume weighted average basis ending on and including the trading day immediately preceding the date of the merger agreement, which equaled \$18.2569 per share. The value and the composition of the total merger consideration may be adjusted pursuant to the terms of the merger agreement. In the event that the 15-day average volume weighted price of First Midwest common stock has declined by more than 20% from the date of the agreement and First Midwest common stock underperforms the KBW Regional Banking index by more than 15% during the same time period, NI Bancshares can elect to terminate the merger agreement. If NI Bancshares would exercise this right, First Midwest would have the option to cure or top-up the total consideration by increasing either the stock consideration or the cash consideration, or both.

**NI Bancshares Discounted Cash Flow Analysis:** Using discounted cash flow analysis, Sheshunoff estimated the present value of the future after-tax cash flow streams that NI Bancshares could produce on a stand-alone basis through September 30, 2020 under various circumstances, assuming that it performed in accordance with the projections provided by NI Bancshares management.

Sheshunoff estimated the terminal value for NI Bancshares at the end of September 30, 2020 by (1) multiplying the final period projected earnings by one plus the assumed annual long-term growth rate of the earnings of NI Bancshares of 4.0% (or 1.04) and (2) dividing this product by the difference between the required rates of return shown below and the assumed annual long-term growth rate of earnings of 4.0% in (1) above. Sheshunoff discounted the annual cash flow streams (defined as all earnings in excess of that which is required to maintain a tangible common equity to tangible asset ratio of 8.0%) and the terminal values using discount rates ranging from 12.0% to 14.0%. The discount rate range was chosen to reflect different assumptions regarding the required rates of return of NI Bancshares and the inherent risk surrounding the underlying projections. This discounted cash flow analysis indicated a range of values per share of \$49.48 to \$62.88 as shown in the table below compared to the estimated merger consideration of \$65.86 per share.

	<b>Discount Rate</b>		
	<b>14.0%</b>	<b>13.0%</b>	<b>12.0%</b>
Present value (in thousands)	\$52,582	\$59,256	\$67,646
Present value (per share)	\$49.48	\$55.42	\$62.88

**Analysis of Selected Transactions:** Sheshunoff performed an analysis of premiums paid in selected recently announced acquisitions of banking organizations with comparable characteristics to NI Bancshares. Two sets of transactions were selected to ensure a thorough analysis.

The first set of comparable transactions consisted of a group of selected transactions for banks and thrifts in the United States for which pricing data was available, with the following characteristics: total assets between \$100 million and \$2 billion that were announced since January 1, 2014, reporting a return on average assets between 0.0% and 0.50%, a non-performing assets to total assets ratio less than 3.5%, and a loan to deposit ratio less than 100%. These comparable transactions consisted of 47 mergers and acquisitions of banks and thrifts with total assets ranging between \$101.8 million and \$1.74 billion that were announced between January 14, 2014 and October 23, 2015. The analysis yielded multiples of the purchase prices in these transactions as summarized below:

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	<b>Price/ Book (x)</b>	<b>Price/ Tg Book(1) (x)</b>	<b>Price/ 8% Tg Book(1) (x)</b>	<b>Price/ LTM Earnings(2) (x)</b>	<b>Price/ Assets (%)</b>	<b>Price/ Deposits (%)</b>	<b>Premium/ Deposits (%)</b>
Maximum	2.00	2.00	2.15	68.8	22.0	23.6	10.7
Minimum	0.58	0.87	0.83	2.8	3.9	2.6	(16.9)
Median	1.20	1.29	1.33	36.1	13.4	15.2	3.4
NI Bancshares	1.22	1.29	1.30	50.9	10.5	11.7	2.1

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(1) Tangible book value equals total book value minus the value of intangible assets.

(2) LTM means last twelve months.

The median pricing multiples in the comparable transactions approximated or were lower than those in connection with the merger, except the median price to assets and price to deposits basis, which were slightly higher due primarily to NI Bancshares exhibiting lower capital levels compared to the median level of the target institutions of the comparable transactions. The median premium to deposits in the comparable transactions was slightly higher than in the merger.

The second set of comparable transactions consisted of a group of selected transactions for banks and thrifts headquartered in the Midwest Region of the United States for which pricing data was available, with the following characteristics: total assets between \$100 million and \$2 billion that were announced since January 1, 2014, a return on average assets between 0.0% and 0.50%, non-performing assets to total assets ratio less than 3.5%, and a loan to deposit ratio less than 100%. These comparable transactions consisted of seven mergers and acquisitions of banks and thrifts with total assets ranging between \$101.8 million and \$442.4 million that were announced between March 10, 2014 and July 28, 2015. The analysis yielded multiples of the purchase prices in these transactions as summarized below:

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	Price/ Book (x)	Price/ Tg Book(1) (x)	Price/ 8% Tg Book(1) (x)	Price/ LTM Earnings(2) (x)	Price/ Assets (%)	Price/ Deposits (%)	Premium/ Deposits (%)
Maximum	1.32	1.33	1.51	32.6	16.8	19.5	4.8
Minimum	0.90	0.90	0.97	23.2	3.9	2.6	(0.3)
Median	1.10	1.20	1.28	27.6	11.5	14.1	1.8
NI Bancshares	1.22	1.29	1.30	50.9	10.5	11.7	2.1

- (1) Tangible book value equals total book value minus the value of intangible assets.  
(2) LTM means last twelve months.

The median pricing multiples in the comparable transactions were lower than those in the merger, except the median price to assets and median price to deposits, which were slightly higher due primarily to NI Bancshares exhibiting lower capital levels compared to the median level of the target institutions of the comparable transactions.

**Contribution Analysis:** Sheshunoff reviewed the relative contributions of NI Bancshares and First Midwest to the combined company based on regulatory data which has not been audited as of September 30, 2015 for NI Bancshares and First Midwest. Sheshunoff compared the pro forma ownership interests (which excludes the cash component of the merger consideration) of NI Bancshares and First Midwest of 3.8% and 96.2%, respectively, to: (1) total assets of 6.4% and 93.6%, respectively; (2) total loans of 5.7% and 94.3%, respectively; (3) total deposits of 6.8% and 93.2%, respectively; (4) net-interest income of 5.8% and 94.2%, respectively; (5) non-interest income of 7.5% and 92.5%, respectively; (6) non-interest expenses of 8.2% and 91.8%, respectively; (7) September 30, 2015 LTM earnings of 1.7% and 98.3%, respectively; and (8) total tangible equity of 6.3% and 93.7%, respectively. The contribution analysis shows that the ownership of NI Bancshares stockholders in the combined company is less than the contribution of the components listed (with the exception of earnings) due largely to the considerable lower level of earnings and the amount of cash consideration in the merger. The contributions are shown in the following table.

	Assets (\$000)	%	Loans (\$000)	%	Deposits (\$000)	%
First Midwest	\$9,935,046	93.6%	\$6,874,480	94.3%	\$8,296,450	93.2%
NI Bancshares	\$678,688	6.4%	\$415,591	5.7%	\$605,800	6.8%
Combined Company	\$10,613,734	100.0%	\$7,290,071	100.0%	\$8,902,250	100.0%

	LTM Net Interest Income (\$000)	%	LTM Non- Interest Income (\$000)	%	LTM Non- Interest Expenses (\$000)	%
First Midwest	\$309,405	94.2%	\$129,683	92.5%	\$296,007	91.8%
NI Bancshares	\$19,080	5.8%	\$10,501	7.5%	\$26,458	8.2%
Combined Company	\$328,485	100.0%	\$140,184	100.0%	\$322,465	100.0%

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	LTM		Shares	%	Tg.	
	Earnings (\$000)	%			Equity (\$000)	%
First Midwest	\$79,491	98.3%	77,942,000	96.2%	\$816,419	93.7%
NI Bancshares	\$1,394	1.7%	3,052,610	3.8%	\$55,010	6.3%
Combined Company	\$80,885	100.0%	80,994,610	100.0%	\$871,429	100.0%

Data as of September 30, 2015; LTM means last twelve months.

Note: Shares issued to NI Bancshares are slightly lower as a percentage than the contributed tangible capital amount due to the approximately \$15.3 million of consideration that will be paid in cash, which is approximately 20% of the total consideration.

**Pro Forma Financial Impact:** Sheshunoff analyzed the pro forma impact of the merger on estimated earnings per share, book value per share and tangible book value per share for the twelve-month periods ending March 31, 2017 and March 31, 2018 (assumes a March 31, 2016 closing date) based on the projections provided by NI Bancshares management for NI Bancshares on a stand-alone basis assuming pre-tax cost savings of \$7.9 million phased in by March 31, 2018 (the end of the second year after completion of the merger).

The analysis indicated pro forma consolidated earnings per share accretion of \$1.01 per share or 29.6% in year one and accretion of \$0.92 per share or 22.3% in year two compared to estimated earnings per share for NI Bancshares on a stand-alone basis. The earnings accretion is greatly affected by the cash consideration to be received, so for comparative purposes on the earnings per share comparison, the merger was treated as an all-stock transaction. The implied book value (including the cash portion of the merger consideration) per share accretion in the merger was \$2.80 per share or 4.8% in year one and the implied book value accretion was \$2.00 per share or 3.2% in year two. The analysis further indicated pro forma consolidated tangible book value (including the cash portion of the merger consideration) per share dilution of \$6.55 per share or 11.9% in year one and dilution of \$7.25 per share or 12.4% in year two compared to NI Bancshares tangible book value per share on a stand-alone basis. The analysis indicated pro forma dividends per share accretion of \$0.63 per share or 125.1% in year one and accretion of \$0.71 per share or 142.4% in year two compared to estimated dividends per share for NI Bancshares on a stand-alone basis. The analysis of whether the merger consideration is accretive or dilutive to NI Bancshares based on the above measures and the amounts of such accretion or dilution is sensitive to the composition of the merger consideration and the accounting assumptions to be made by First Midwest.

**Comparable Company Analysis:** Sheshunoff compared the operating and market results of First Midwest to the results of other publicly traded banking companies. The comparable publicly traded companies in the Midwest Region of the United States, as defined by SNL Financial, were selected primarily on the basis of location and total asset size. First Midwest was compared to banks with total assets between \$3 billion and \$20 billion that were headquartered in the Midwest Region of the United States, as defined by SNL Financial. The data for the following table is based on GAAP financial information as of September 30, 2015 provided by SNL Financial. Some of the ratios presented are proprietary to SNL Financial and may not strictly conform to the common industry determination.

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	<b>First Midwest</b>	<b>Peer Group</b>
	( <b>%</b> )	<b>Median</b>
	( <b>%</b> )	( <b>%</b> )
Return on Average Assets	0.84	1.02
Return on Average Equity	7.23	9.00
Net Interest Margin	3.72	3.60
Efficiency Ratio	63.4	61.1
Tangible Equity to Tangible Asset Ratio	8.50	9.25
Total Capital Ratio	11.43	14.15
Ratio of Non-performing Assets to Total Assets	0.72	0.86
Ratio of Loan Loss Reserves to Loans	1.05	1.16

First Midwest's performance as measured by its return on average assets and return on average equity was slightly lower than that of its peer group median level. First Midwest's net interest margin was stronger than its peers with its efficiency ratio being somewhat weaker than its peers. First Midwest's tangible capital level was slightly lower to its peers with its total capital ratio also being slightly below that of its peer group median. First Midwest's asset quality, as measured by its ratio of non-performing assets to total assets, was slightly stronger than the peer group median. Its ratio of loan loss reserves to loans was slightly lower than the median peer group level.

Sheshunoff compared First Midwest's trading results to its peers. The results are summarized in the following table. The data for the following table is based on publicly available GAAP financial information and market data as of September 30, 2015 provided by SNL Financial.

	<b>First Midwest</b>	<b>Peer Group</b>
		<b>Median</b>
Market Price as a Multiple of Stated Book Value	1.19x	1.32x
Market Price as a Multiple of Stated Tangible Book Value	1.68x	1.69x
Price as a Multiple of LTM Earnings	16.9x	15.5x
Market Price as a Percentage of Assets	13.8%	15.0%
Dividend Yield	2.05%	2.17%
Dividend Payout	33.7%	33.8%

First Midwest's price-to-book multiples, as measured by its market price as a multiple of stated book value and its market price as a multiple of stated tangible book value, were slightly lower than the comparable peer group medians. First Midwest's price-to-earnings multiple, as shown by the price as a multiple of LTM earnings through September 30, 2015, was higher compared to its peers. First Midwest's market price to assets ratio was slightly lower than that of its peers. First Midwest's dividend yield and dividend payout ratio were both in-line with its peers as of September 30, 2015.

Sheshunoff compared selected stock market results of First Midwest to the KBW Nasdaq Regional Bank index and the SNL Midwest U.S. Bank index for all publicly traded banks over the past three-month, one year and three-year periods. First Midwest common stock's price generally performed below that of each index from approximately February 2013 to March of 2013 and again from approximately June 2013 to July 2013. From July 2013 to January 2015, First Midwest's stock price had generally been in-line with each index. From February 2015 to November 2015, First Midwest's stock price has generally performed better than the SNL Midwest U.S. Bank index and below that of the KBW Nasdaq Regional Bank index.



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No company or transaction used in the comparable company and comparable transaction analysis is identical to NI Bancshares, First Midwest, or First Midwest as the surviving corporation in the merger.

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Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operational characteristics of NI Bancshares and First Midwest and other factors that could affect the public trading value of the companies to which they are being compared. Mathematical analysis (such as determining the average or median) is not in and of itself a meaningful method of using comparable transaction data or comparable company data.

NI Bancshares and Sheshunoff have entered into an agreement relating to the services to be provided by Sheshunoff in connection with the merger. NI Bancshares paid Sheshunoff a cash fee of \$15,000 upon execution of their engagement letter. NI Bancshares paid Sheshunoff a cash fee of \$50,000 upon the issuance of the Sheshunoff fairness opinion and, upon the closing of the merger, has agreed to pay Sheshunoff a transaction fee in an amount equal to 0.95% of the aggregate consideration value thereof. Both the \$15,000 and \$50,000 cash fees are to be credited toward the transaction fee. NI Bancshares has also agreed to reimburse Sheshunoff for its reasonable out-of-pocket expenses, and to indemnify Sheshunoff against certain liabilities. Sheshunoff has provided other services to NI Bancshares for which it has received compensation during the last two years, including with respect to the auction process for NI Bancshares conducted by Sheshunoff as described under Background of the Merger . These fees and compensation were not material to Sheshunoff's overall business. NI Bancshares also agreed to indemnify and hold harmless Sheshunoff and its officers and employees against certain liabilities in connection with its services under the engagement letter, except for liabilities resulting from the negligence, violation of law or regulation, or bad faith of Sheshunoff or any matter for which Sheshunoff may have strict liability. Sheshunoff has no prior, existing or pending engagement with First Midwest.

The fairness opinion is directed only to the question of whether the merger consideration is fair from a financial perspective to the stockholders of NI Bancshares and does not constitute a recommendation to any NI Bancshares stockholder to vote in favor of the merger. No limitations were imposed on Sheshunoff regarding the scope of its investigation or otherwise by NI Bancshares.

Based on the results of the various analyses described above, Sheshunoff concluded that the merger consideration to be paid by First Midwest pursuant to the merger is fair to the stockholders of NI Bancshares, from a financial point of view.

**Material Federal Income Tax Consequences of the Merger**

The following discussion (including the limitations and qualifications set forth therein) is based on the opinion of Barack Ferrazzano received by NI Bancshares and the opinion of Chapman and Cutler received by First Midwest, in each case, in connection with the filing of the registration statement of which this document is a part.

This discussion addresses the material United States federal income tax consequences of the merger to U.S. holders (as defined below) of NI Bancshares common stock. The discussion is based on the provisions of the Code, U.S. Treasury regulations, administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations.

For purposes of this discussion, we use the term "U.S. holder" to mean:

- a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for United States federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate that is subject to United States federal income taxation on its income regardless of its source.

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This discussion applies only to NI Bancshares stockholders that hold their NI Bancshares common stock as a capital asset within the meaning of Section 1221 of the Code, and does not address all aspects of United States federal taxation that may be relevant to a particular U.S. holder in light of its personal circumstances or to U.S. holders subject to special treatment under the United States federal income tax laws, including:

- financial institutions;
- investors in pass-through entities;
- persons liable for the alternative minimum tax;
- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to use a mark to market method of accounting;
- persons that hold NI Bancshares common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- regulated investment companies;
- real estate investment trusts;
- persons whose functional currency is not the U.S. dollar;

- persons who are not citizens or residents of the United States; and
- stockholders who acquired their shares of NI Bancshares common stock through the exercise of an employee stock option, as a restricted stock award, or otherwise as compensation.

If a partnership or other entity taxed as a partnership holds NI Bancshares common stock, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the merger to them.

The actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

*Tax Consequences of the Merger.* Based upon the facts and representations contained in the representation letters received from NI Bancshares and First Midwest in connection with the filing of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part, it is the opinion of Barack Ferrazzano and Chapman and Cutler, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and accordingly, the material United States federal income tax consequences will be as follows:

- no gain or loss will be recognized by First Midwest or NI Bancshares as a result of the merger;
- gain (but not loss) will be recognized by U.S. holders of NI Bancshares common stock who receive shares of First Midwest common stock and cash in exchange for shares of NI Bancshares common

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stock pursuant to the merger, in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the First Midwest common stock and cash received by a U.S. holder of NI Bancshares common stock exceeds such U.S. holder's basis in its NI Bancshares common stock and (ii) the amount of cash received by such U.S. holder of NI Bancshares common stock (except with respect to any cash received instead of fractional share interests in First Midwest common stock, which is discussed below under "Cash Received Instead of a Fractional Share.");

- the aggregate tax basis of the First Midwest common stock received by a U.S. holder of NI Bancshares common stock in the merger (including fractional shares of First Midwest common stock deemed received and redeemed as described below) will be the same as the aggregate tax basis of the NI Bancshares common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of fractional share interests in First Midwest common stock), and increased by the amount of gain recognized on the exchange, other than with respect to cash received instead of fractional share interests in First Midwest common stock (regardless of whether such gain is classified as capital gain or as dividend income, as discussed below under "Possible Recharacterization of Gain as a Dividend"); and
- the holding period of First Midwest common stock received in exchange for shares of NI Bancshares common stock (including fractional shares of First Midwest common stock deemed received and redeemed as described below) will include the holding period of the NI Bancshares common stock for which it is exchanged.

If a U.S. holder of NI Bancshares common stock acquired different blocks of NI Bancshares common stock at different times or at different prices, any gain will be determined separately with respect to each block of NI Bancshares common stock, and the cash and shares of First Midwest common stock received will be allocated pro rata to each such block of stock.

It is a condition to NI Bancshares' obligation to complete the merger that NI Bancshares receives a written opinion of its counsel, Barack Ferrazzano, dated as of the closing date, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to First Midwest's obligation to complete the merger that First Midwest receives an opinion of its counsel, Chapman and Cutler, dated as of the closing date, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on the assumption that the merger will be completed in the manner set forth in the merger agreement and the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part, and on representation letters provided by First Midwest and NI Bancshares to be delivered at the time of the closing. Those opinions will also be based on the assumption that the representations found in the representation letters are, as of the effective time, true and complete without qualification and that the representation letters are executed by appropriate and authorized officers of First Midwest and NI Bancshares. If any of the assumptions or representations upon which such opinions are based is inconsistent with the actual facts with respect to the merger, the United States federal income tax consequences of the merger could be adversely affected.

In addition, neither of the tax opinions given in connection with the merger or in connection with the filing of this

registration statement will be binding on the Internal Revenue Service. Neither First Midwest nor NI Bancshares intends to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger, and consequently, there is no guarantee that the Internal Revenue Service will treat the merger as a reorganization within the meaning of Section 368(a) of the Code.

*Taxation of Capital Gain.* Except as described under Possible Recharacterization of Gain as a Dividend below, gain that U.S. holders of NI Bancshares common stock recognize in connection with the merger will constitute capital gain and will constitute long-term capital gain if, as of the closing date, the U.S. holder's holding period for the relevant shares of NI Bancshares common stock is greater than one year. Long-term capital gain of a non-corporate U.S. holder is generally subject to tax at preferential rates.

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*Possible Recharacterization of Gain as a Dividend.* All or part of the gain that a particular U.S. holder of NI Bancshares common stock recognizes could be treated as dividend income rather than capital gain if (i) such U.S. holder is a significant stockholder of First Midwest or (ii) such U.S. holder's percentage ownership, taking into account constructive ownership rules, in First Midwest after the merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of First Midwest common stock rather than a combination of cash and shares of First Midwest common stock in the merger. This could happen, for example, because of ownership of additional shares of First Midwest common stock by such holder, ownership of shares of First Midwest common stock by a person related to such holder or a share repurchase by First Midwest from other holders of First Midwest common stock. The Internal Revenue Service has indicated in rulings that any reduction in the interest of a minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon the particular circumstances of a holder of NI Bancshares common stock, including the application of certain constructive ownership rules, holders of NI Bancshares common stock should consult their own tax advisors regarding the potential tax consequences of the merger to them.

*Cash Received Instead of a Fractional Share.* A U.S. holder who receives cash instead of a fractional share of First Midwest common stock will generally be treated as having received such fractional share and then as having received such cash in redemption of the fractional share. As a result, such U.S. holder will generally recognize gain or loss pursuant to the merger based on the difference between the amount of cash received instead of the fractional share of First Midwest common stock and the portion of the U.S. holder's aggregate adjusted tax basis of the shares of NI Bancshares common stock exchanged in the merger that is allocable to the fractional share of First Midwest common stock. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of NI Bancshares common stock is more than one year at the effective time of the merger. Long term capital gain is taxed at reduced rates for non-corporate holders. The deductibility of capital losses is subject to limitations.

*Reporting Requirements.* A U.S. holder of NI Bancshares common stock receiving First Midwest common stock as a result of the merger is required to retain records pertaining to the merger. Each U.S. holder of NI Bancshares common stock who is required to file a United States federal income tax return and who is a significant holder that receives First Midwest common stock in the merger will be required to file a statement with such United States federal income tax return setting forth such holder's basis in the NI Bancshares common stock surrendered and the fair market value of the First Midwest common stock and cash received in the merger. A significant holder is a holder of NI Bancshares common stock, who, immediately before the merger, owned at least 5% of the total combined voting power or value of the outstanding stock of NI Bancshares.

*Backup Withholding and Information Reporting.* Payments of cash to a U.S. holder of NI Bancshares common stock may, under certain circumstances, be subject to information reporting and backup withholding unless the U.S. holder provides proof of an applicable exemption satisfactory to First Midwest and the exchange agent or, in the case of backup withholding, furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder's United States federal income tax liability, provided the required information is furnished to the Internal



Revenue Service.

*Medicare Tax on Unearned Income.* A U.S. holder that is an individual is subject to a 3.8% tax on the lesser of (i) his or her net investment income for the relevant taxable year or (ii) the excess of his or her modified gross income for the taxable year over a certain threshold (between \$125,000 and \$250,000 depending on the individual's U.S. federal income tax filing status). A similar regime applies to estates and trusts. Net investment income generally would include any capital gain incurred in connection with the merger.

#### **Accounting Treatment**

First Midwest will account for the merger as a purchase by First Midwest of NI Bancshares under GAAP. Under the purchase method of accounting, the total consideration paid in connection with the merger is allocated

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among NI Bancshares' assets, liabilities and identified intangibles based on the fair values of the assets acquired, the liabilities assumed and the identified intangibles. The difference between the total consideration paid in connection with the merger and the fair values of the assets acquired, the liabilities assumed and the identified intangibles, if any, is allocated to goodwill. The results of operations of NI Bancshares will be included in First Midwest's results of operations from the date of acquisition.

## **Interests of Certain Persons in the Merger**

### *General*

Members of the board of directors and executive officers of NI Bancshares and NB&T may have interests in the merger that are different from, or are in addition to, the interests of NI Bancshares stockholders generally. The NI Bancshares board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and determining to recommend to NI Bancshares stockholders to vote for adoption of the merger agreement.

### *Stock Ownership*

As of January 11, 2016, NI Bancshares directors and executive officers owned, in the aggregate, 173,881 shares of NI Bancshares common stock, representing approximately 16% of the outstanding shares of common stock. See "Security Ownership of NI Bancshares Directors, Named Executive Officers and Certain Beneficial Owners" on page 75 for more information.

### *Employment Agreement and Change in Control Severance Plan*

NI Bancshares and its CEO, Mr. Cullen, are parties to an employment agreement that provides for certain severance benefits in the event Mr. Cullen's employment is terminated by NI Bancshares without cause or by Mr. Cullen for good reason within 12 months following a change in control. Good reason includes a material breach of the agreement by NI Bancshares or a material adverse change in the nature, scope or status of the CEO's position or authorities or a material reduction in compensation. In the event of a qualifying termination, Mr. Cullen would be entitled to 1.5 times the sum of his base salary and average annual bonus over the prior three years, provided that if such a termination is in connection with a change in control, the severance payment is three times such sum. The merger will constitute a change in control under the employment agreement. As a result, if Mr. Cullen has a qualifying termination under his employment agreement upon a change in control in 2016, he would be entitled to a severance payment equal to approximately \$1.1 million, subject to reduction for compliance with Code section 280G, based on three times the sum of his current salary plus his average bonus for the preceding three years. In addition, he would be entitled to company paid insurance coverage for 18 months. Mr. Cullen would be subject to non-competition and non-solicitation restrictions for 18 months following termination of employment for any reason. Additionally, upon the occurrence of a change in control, Mr. Cullen would become vested in the unvested portion of company contributions to his deferred compensation account worth approximately \$60,000.

In connection with the execution of the merger agreement, First Midwest and Mr. Cullen entered into a letter agreement outlining Mr. Cullen's proposed employment by First Midwest Bank as its Regional President of DeKalb County and his compensation arrangements, including entry

into a new employment agreement with First Midwest, that will become effective immediately following the closing of the merger. The letter agreement provides for the termination of his existing employment agreement with NI Bancshares as described above (other than the post-employment restrictions) and of his participation in the CIC Severance Plan, described below, following the merger. In addition, the letter agreement sets forth the general terms and conditions of his employment following the merger.

The proposed compensation arrangements for Mr. Cullen as an employee of First Midwest include an initial base salary, participation in First Midwest's customary short-term cash incentive compensation and long-term equity incentive compensation programs, as well as participation in other customary employee benefits for employees at Mr. Cullen's level. Mr. Cullen's initial total annual compensation as an employee of First Midwest will be approximately the same as that currently in effect for Mr. Cullen as an employee of NI Bancshares, assuming his cash and equity incentive compensation awards granted to him by NI Bancshares for 2015 and to be granted to him upon his employment by First Midwest for 2016 ultimately are earned at target levels.

In recognition of the cancellation of Mr. Cullen's existing employment agreement with NI Bancshares, continuation of the post-employment restrictions contained therein and as a retention incentive, the new employment agreement with First Midwest will provide for a cash payment to Mr. Cullen by First Midwest of \$447,516 following the merger and for a restricted stock award by First Midwest having a grant date value of \$447,516 and a vesting period of three years. Such aggregate amount is approximately 80% of the severance benefit Mr. Cullen would have been entitled to receive upon a qualifying termination in connection with the merger under the terms of his existing employment agreement with NI Bancshares.

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NI Bancshares also maintains the CIC Severance Plan covering certain executive officers. Under the CIC Severance Plan, if following a change in control, one of the covered officers is terminated without cause, or resigns for good reason, he or she will be entitled to payments ranging from 12 to 18 months of salary plus COBRA insurance continuation for 12 to 18 months with the officer responsible for the same level of payments as active employees. Following such a termination, the covered officer will be subject to non-competition and non-solicitation restrictions for 12 to 18 months, corresponding to the length of severance benefits. First Midwest has agreed to honor the obligations of NI Bancshares under the CIC Severance Plan after the effective time of the merger. In the event of a qualifying termination in connection with the merger, NI Bancshares' executive officers David McCoy Chief Financial Officer, Charles Kaiser Senior Vice President Business Banking, Roger VanBuren Senior Vice President Wealth Management, and Bradley Brown Senior Vice President Consumer Banking would be entitled to cash payments of \$305,395, \$236,048, \$230,250 and \$228,900, respectively, in addition to COBRA insurance continuation.

In connection with the execution of the merger agreement, Roger VanBuren, Bradley Brown, and four other non-executive officers entered into letter agreements with First Midwest setting forth the terms and conditions of employment with First Midwest Bank following the merger and for the waiver of benefits under the CIC Severance Plan. As such, following the merger and employment with First Midwest, Mr. VanBuren and Mr. Brown will not be entitled to any cash termination payments under the CIC Severance Plan described above. The terms and conditions of the letter agreements include base salaries based on the current base salary or the applicable First Midwest salary grade, and for participation in short-term and long-term incentive programs. In addition, in consideration for waiving participation in the CIC Severance Plan, the letter agreements provide for payment of a signing bonus following the merger. The signing bonuses fall within the range of \$25,000 to \$50,000.

*Stock Options and Restricted Stock Awards*

To the extent a director or officer holds unvested restricted stock awards, upon completion of the merger, such awards will become fully earned and vested per the terms of the NI Bancshares Stock Plans and the shares of NI Bancshares common stock subject to such awards will be converted to cash and First Midwest common stock as discussed in the The Merger Merger Consideration on page 44. To the extent a director or officer holds outstanding stock options, upon completion of the merger, such options, whether vested or unvested, will be cancelled and terminated in exchange for the right to receive cash, without any interest and subject to any required withholding tax, in an amount equal to the merger consideration value per share, as defined in the merger agreement, minus the applicable exercise price of such outstanding stock option, multiplied by the number of shares of NI Bancshares common stock covered by such outstanding stock option as discussed in the The Merger Merger Consideration on page 44. As of the date of the merger agreement, directors and executive officers, as a group, held unvested restricted stock awards with respect to 4,607 shares of NI Bancshares common stock and 42,166 vested stock options.

*Indemnification and Insurance*

The merger agreement provides that, upon completion of the merger, First Midwest will indemnify, defend and hold harmless the directors and officers of NI Bancshares and NB&T (when acting in such capacity) against all costs and liabilities arising out of actions or omissions occurring at or before the completion of the merger, in accordance with NI Bancshares' restated certificate of incorporation and amended and restated bylaws to the extent permitted by law.

The merger agreement also provides that for a period of six years after the merger is completed, First Midwest will maintain directors' and officers' liability insurance that provides at least the same coverage and amounts, and contains terms and conditions no less advantageous, as that coverage currently provided by NI Bancshares, provided that the total premium therefor is not in excess of 200% of the last annual premium paid prior to the date of the merger agreement.



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**THE MERGER AGREEMENT**

*The following discussion describes the material provisions of the merger agreement. We urge you to read the merger agreement, which is attached as Appendix A and incorporated by reference in this proxy statement/prospectus, carefully and in its entirety. The description of the merger agreement in this proxy statement/prospectus has been included to provide you with information regarding its terms. The merger agreement contains representations and warranties made by and to the parties thereto as of specific dates. The statements embodied in those representations and warranties were made for purposes of that contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. In addition, certain representations and warranties were made as of a specified date, may be subject to a contractual standard of materiality different from those generally applicable to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts.*

**Structure**

Subject to the terms and conditions of the merger agreement, at the completion of the merger, NI Bancshares will merge with and into First Midwest, with First Midwest as the surviving corporation. As a result, the separate existence of NI Bancshares will terminate. After the merger at a time yet to be determined, First Midwest will cause NB&T, the wholly owned bank subsidiary of NI Bancshares, to merge with and into First Midwest Bank, the wholly owned bank subsidiary of First Midwest. First Midwest Bank will be the surviving bank and will continue its corporate existence as a commercial bank organized under the laws of the State of Illinois.

**Merger Consideration**

In connection with the merger, NI Bancshares stockholders will receive for each share of NI Bancshares common stock they hold immediately prior to the completion of the merger 2.8858 fully paid and non-assessable shares of First Midwest common stock, plus \$13.17 in cash (without interest thereon). Upon completion of the merger, each outstanding stock option to purchase NI Bancshares common stock will be cancelled and terminated in exchange for the right to receive cash, without any interest and subject to any required withholding tax, in an amount equal to the merger consideration value per share, as defined in the merger agreement, minus the applicable exercise price of such outstanding stock option, multiplied by the number of shares of NI Bancshares common stock covered by such outstanding stock option. Any out-of-the money stock options granted by NI Bancshares will be cancelled and no consideration will be provided. An out-of-the-money stock option is an outstanding stock option for which the exercise price per share is greater than or equal to the merger consideration value per share described above. The merger consideration value per share means the sum of (i) the product of (a) 2.8858 multiplied by (b) the price of First Midwest common stock on the trading day immediately prior to the effective time of the merger as provided in the merger agreement, plus (ii) \$13.17. Upon completion of the merger, each outstanding restricted stock award (vested or unvested) will be converted into and constitute the right to receive the same merger consideration as all other holders of NI Bancshares common stock.

However, if certain environmental conditions and/or title defects exist with respect to NI Bancshares real property and the cost to remediate and/or cure such conditions or defects is greater than \$150,000, the cash received by (b) the

holders of NI Bancshares common stock in connection with the merger will be reduced by such cost up to an aggregate amount of \$1,000,000. If such cost exceeds \$1,000,000, First Midwest may terminate the merger agreement or reduce the cash component of the consideration by \$1,000,000 and, subject to the satisfaction of all other conditions, proceed to the closing of the merger.

The merger consideration may be subject to adjustment if certain termination provisions, based on the market price of First Midwest common stock, are triggered and NI Bancshares board of directors elects to terminate the merger agreement. NI Bancshares will have a right to terminate the merger agreement if the volume weighted average price of First Midwest common stock during a specified period before the effective time of the merger both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, if NI Bancshares elects to terminate the merger agreement under these circumstances,

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First Midwest may, but is not obligated to, elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances. The exchange ratio is also subject to adjustment if First Midwest changes the number or kind of shares of its common stock outstanding by way of stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction.

**Conversion of Shares; Exchange of Certificates; Fractional Shares**

*Conversion.* The conversion of NI Bancshares common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger.

*Exchange Procedures.* Prior to the completion of the merger, First Midwest will deposit with its transfer agent or with a depository or trust institution of recognized standing selected by it and reasonably satisfactory to NI Bancshares, which we refer to as the exchange agent, (1) certificates or, at First Midwest's option, evidence of shares in book-entry form, representing the shares of First Midwest common stock to be issued under the merger agreement and (2) cash payable as part of the merger consideration and instead of any fractional shares of First Midwest common stock to be issued under the merger agreement. As promptly as reasonably practicable after the effective time of the merger, the exchange agent will provide you with instructions in order to exchange your certificates representing shares of NI Bancshares common stock for the merger consideration to be received in the merger pursuant to the terms of the merger agreement. No interest will accrue or be paid with respect to any property to be delivered upon surrender of NI Bancshares stock certificates.

If any First Midwest stock certificate is to be issued, or cash payment made, in a name other than that in which the NI Bancshares stock certificate surrendered in exchange for the merger consideration is registered, the person requesting the exchange must pay any transfer or other taxes required by reason of the issuance of the new First Midwest certificate or the payment of the cash consideration in a name other than that of the registered holder of the NI Bancshares stock certificate surrendered, or must establish to the satisfaction of First Midwest and the exchange agent that any such taxes have been paid or are not applicable.

*Dividends and Distributions.* Until your NI Bancshares common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time with respect to First Midwest common stock into which shares of NI Bancshares common stock may have been converted will accrue but will not be paid. When such certificates have been duly surrendered, First Midwest will pay any unpaid dividends or other distributions, without interest. After the effective time, there will be no transfers on the stock transfer books of NI Bancshares of any shares of NI Bancshares stock. If certificates representing shares of NI Bancshares stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of NI Bancshares common stock represented by that certificate have been converted.



*Withholding.* The exchange agent will be entitled to deduct and withhold from the merger consideration payable to any NI Bancshares stockholder the amounts it is required to deduct and withhold under any federal, state, local or foreign tax law. If the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

*No Fractional Shares Will Be Issued.* First Midwest will not issue fractional shares of First Midwest common stock in the merger. There will be no dividends or voting rights with respect to any fractional shares of common stock. Instead of fractional shares of First Midwest common stock, NI Bancshares stockholders will receive a check for any fractional shares based on the price of First Midwest common stock on the trading date immediately preceding the effective time of the merger.

*Lost, Stolen or Destroyed NI Bancshares Common Stock Certificates.* If you have lost a certificate representing NI Bancshares common stock, or it has been stolen or destroyed, First Midwest will issue to you the common stock or cash payable under the merger agreement if you submit an affidavit of that fact and, if requested

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by First Midwest, if you post bond in a customary amount as indemnity against any claim that may be made against First Midwest about ownership of the lost, stolen or destroyed certificate.

For a description of First Midwest common stock and a description of the differences between the rights of NI Bancshares stockholders and First Midwest stockholders, see [Description of First Midwest Capital Stock](#) and [Comparison of Stockholder Rights](#).

**Effective Time**

We plan to complete the merger on a business day designated by First Midwest that is within 30 days after the satisfaction or waiver of the last remaining conditions to the merger, other than those routine conditions that by their nature are to be satisfied at the closing, but subject to the fulfillment or waiver of those conditions. The time the merger is completed is the effective time of the merger. See [Conditions to Completion of the Merger](#).

We anticipate that we will complete the merger during the first quarter of 2016. However, completion could be delayed if there is a delay in obtaining the necessary regulatory approvals or for other reasons. There can be no assurances as to if or when these approvals will be obtained or as to whether or when the merger will be completed. If we do not complete the merger by November 12, 2016 either party may terminate the merger agreement without penalty unless the failure to complete the merger by this date is due to the failure of the party seeking to terminate the merger agreement to perform or observe its obligations under the merger agreement. See [Conditions to Completion of the Merger](#) and [Regulatory Approvals Required for the Merger](#).

**Representations and Warranties**

The merger agreement contains representations and warranties of First Midwest and NI Bancshares, to each other, as to, among other things:

- the corporate organization and existence of each party and its subsidiaries and the valid ownership of its significant subsidiaries;
- the capitalization of each party;
- the authority of each party and its subsidiaries to enter into the merger agreement (and any other agreement contemplated thereby) and the enforceability of the merger agreement against each party;

- the fact that the merger agreement does not violate or breach the certificate of incorporation and by-laws of each party, applicable law, and agreements, instruments or obligations of each party;
- governmental approvals;
- regulatory investigations and orders;
- each party's financial statements and filings with applicable regulatory authorities;
- the absence of material changes in each party's business since December 31, 2014;
- the absence of litigation;
- each party's compliance with applicable law;
- sufficiency of each party's internal controls; and

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- each party's relationships with financial advisors.

In addition, the merger agreement contains representations and warranties of NI Bancshares to First Midwest as to, among other things:

- the absence of undisclosed obligations or liabilities;
- the validity of, and the absence of material defaults under its material contracts;
- the inapplicability to the merger and voting agreements and the transactions contemplated thereby of state anti-takeover laws and certain provisions of NI Bancshares' certificate of incorporation;
- title and interest in property;
- accuracy of books and records;
- intellectual property;
- its trust business;
- material interests of officers and directors or their associates;
- adequacy of insurance coverage;
- enforceability and validity of extensions of credit and interest rate risk management instruments;

- its employment contracts;
- labor matters;
- environmental matters;
- the filing and accuracy of tax returns, and the tax treatment of the merger;
- employee benefit plans and related matters;
- sufficiency of its assets to conduct its business; and
- its mortgage banking activities.

**Conduct of Business Pending the Merger**

NI Bancshares has agreed that, except as expressly contemplated by the merger agreement or as disclosed in writing prior to the signing of the merger agreement, it will not, and will not agree to, without First Midwest's consent:

- conduct its business other than in the ordinary and usual course;
- fail to use commercially reasonable efforts to preserve intact its business organizations, assets and other rights, and its existing relations with customers and other parties;
- enter into any new line of business, materially change its banking and operating policies, except as required by law or policies imposed by regulatory authorities or close, sell, consolidate or relocate

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or materially alter any of its branches;

- offer promotional pricing with respect to any product or service other than in the ordinary course of business and on commercially reasonable terms;
- book certain brokered deposits ;
- purchase securities other than short-term securities issued by the U.S. or certain U.S. government agencies;
- make any capital expenditures in excess of specified amounts;
- terminate, enter into, amend, modify or renew any material contract;
- make, renew, amend, extend the term of, extend the maturity of or grant the forbearance of any extension of credit involving a total credit relationship in excess of \$1,000,000 or other than in compliance with existing credit policies and procedures;
- make, change or revoke any material tax election, file any amended tax return, enter into any closing agreement, settle any tax claim or assessment, or surrender any right to claim a material refund of taxes;
- settle any action, suit, claim or proceeding against it, other than in the ordinary course of business in an amount not in excess of \$50,000 and that would not impose any material restriction on NI Bancshares or its subsidiaries business;
- adjust, split, combine, redeem, reclassify, purchase or otherwise acquire any of its own stock;
- make, declare or pay any dividend or distribution on any shares of its stock, except for cash dividends from NB&T to NI Bancshares to cover operating expenses and NI Bancshares regular \$0.25 semi-annual dividend in the

ordinary course of business consistent with the merger agreement;

- permit any additional shares of stock to become subject to new grants of rights to acquire stock;
- except for the issuance of common stock pursuant to already outstanding stock options, issue, sell or dispose of or encumber, or authorize or propose the creation of, any additional shares of capital stock;
- sell, transfer, mortgage, encumber or otherwise dispose of any loans, securities, assets, deposits, business or properties, except in a nonmaterial transaction in the ordinary course of business;
- acquire the loans, securities, real property, vehicles, other assets, business, deposits or properties of any other entity except in various specified transactions in the ordinary course of business;
- communicate with its, officers or employees regarding compensation or benefits matters affected by the transaction except as permitted by the merger agreement;
- knowingly take, or knowingly omit to take, any action that would, or is reasonably likely to, prevent or impede the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the merger not being satisfied in a timely manner, or any action that is reasonably likely to materially impair its ability to perform its obligations under the merger agreement or to complete the transactions contemplated thereby,

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except as required by applicable law;

- amend its certificate of incorporation or by-laws;
  
- change its accounting principles, practices or methods, except as required by GAAP;
  
- engage in or conduct any building, demolition, remodeling or material modifications or alterations to any of its business premises unless required by applicable law or to comply with the merger agreement, or fail to maintain its business premises or other assets in substantially the same condition;
  
- acquire or otherwise become the owner of any real property by way of foreclosure or in satisfaction of a debt previously contracted without first consulting First Midwest;
  
- terminate, enter into, amend, modify or renew any employment agreements or grant salary increases or employee benefit increases except as required by applicable law, to satisfy previously existing and disclosed contractual obligations, or for certain changes that are in the ordinary course of business (including annual profit sharing contributions or wage increases), or increase the compensation of any director except to pay bonuses in the ordinary course of business, grant annual salary or wage increases or pay certain stay bonuses for certain employees;  
or
  
- terminate, enter into, establish, adopt or amend any employee benefit plans, except as contemplated by the merger agreement, as required by applicable law, to satisfy previously existing and disclosed contractual obligations or to make a discretionary employee profit sharing contribution to the NB&T Profit Sharing Plan in the ordinary course of business consistent with the merger agreement.

**Acquisition Proposals by Third Parties**

NI Bancshares has agreed that it will not solicit or encourage inquiries or proposals with respect to any other acquisition proposal. NI Bancshares has also agreed that it will not engage in any negotiations concerning any other acquisition proposal, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to any other acquisition proposal.



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However, if NI Bancshares receives an unsolicited *bona fide* acquisition proposal and NI Bancshares' board of directors concludes in good faith (after consultation with its financial and legal advisors) that it constitutes a superior proposal, NI Bancshares may furnish nonpublic information and participate in negotiations or discussions to the extent that its board of directors concludes in good faith (and based on the advice of its financial and legal advisors) that failure to take those actions would be inconsistent with its fiduciary duties under applicable law. Before providing any nonpublic information, NI Bancshares must enter into a confidentiality agreement with the third party no less favorable to it than the confidentiality agreement with First Midwest. While NI Bancshares has the right to enter into negotiations regarding a superior proposal under the foregoing circumstances, the merger agreement does not allow NI Bancshares to terminate the merger agreement solely because it has received a superior proposal, entered into such negotiations or decided to accept such offer.

For purposes of the merger agreement, the terms "acquisition proposal" and "superior proposal" have the following meanings:

- The term "acquisition proposal" means, other than the transactions contemplated by the merger agreement:
- a tender or exchange offer to acquire more than 15% of the voting power in NI Bancshares or its significant subsidiaries;

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- a proposal for a merger, consolidation or other business combination involving NI Bancshares or its significant subsidiaries; or
- any other proposal to acquire more than 15% of the voting power in, or more than 15% of the business, assets or deposits of, NI Bancshares or its significant subsidiaries.
- The term superior proposal means a *bona fide* written acquisition proposal (with the references to 15% deemed references to 50%) that NI Bancshares board of directors concludes in good faith to be more favorable from a financial point of view to its stockholders than the First Midwest merger after:
  - receiving the advice of Sheshunoff, its financial advisor;
  - taking into account the likelihood of completion of the proposed transaction (as compared to, and with due regard for, the terms of the merger agreement); and
  - taking into account legal, financial, regulatory and other aspects of such proposal.

NI Bancshares has agreed to cease immediately any activities, negotiations or discussions conducted before the date of the merger agreement with any other persons with respect to acquisition proposals and to use commercially reasonable efforts to enforce any confidentiality or similar agreement relating to such acquisition proposals. NI Bancshares has also agreed to notify First Midwest within 1 business day of receiving any acquisition proposal and the substance of the proposal.

In addition, NI Bancshares has agreed to use its reasonable best efforts to obtain from its stockholders approval of the merger agreement and the transactions contemplated thereby, including the merger. However, if NI Bancshares board of directors (after consultation with, and based on the advice of, counsel) determines in good faith that, because of an acquisition proposal that NI Bancshares board of directors concludes in good faith constitutes a superior proposal, to continue to recommend such items to its stockholders would result in a violation of its fiduciary duties under applicable law, it may submit such items without recommendation and communicate the basis for its lack of recommendation to its stockholders. NI Bancshares agreed that before taking such action with respect to an acquisition proposal, it will give First Midwest at least 10 business days to respond to the proposal and will consider any amendment or modification to the merger agreement proposed by First Midwest.

Under certain circumstances, including if the merger agreement is terminated in the event NI Bancshares breaches certain obligations described above, NI Bancshares must pay First Midwest a fee equal to \$2,800,000. See Termination of the Merger Agreement.

**Other Agreements**

In addition to the agreements we have described above, we have also agreed in the merger agreement to take several other actions, such as:

- we agreed to use commercially reasonable efforts to complete the merger and the other transactions contemplated by the merger agreement;
- we agreed that First Midwest and NI Bancshares will give notice to the other party of any fact, event or circumstance that is reasonably likely to result in any material adverse effect, as defined in the merger agreement, or that would constitute a material breach of any of its representations, warranties, covenants or agreements in the merger agreement;
- we agreed that First Midwest and NI Bancshares will supplement their respective representations and warranties in the merger agreement with respect to any matter which would render any such representations and warranties inaccurate or incomplete in any material respect.

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- we agreed that NI Bancshares will convene a special meeting of its stockholders within 45 days from the date the registration statement becomes effective to consider and vote on the merger agreement and the transactions contemplated thereby, including the merger;
  
- we agreed that First Midwest will use its commercially reasonable efforts to cause the shares of First Midwest common stock to be issued in the merger to be approved for listing on the NASDAQ Stock Market (subject to official notice of issuance) as promptly as practicable, and in any event before the effective time of the merger and that NI Bancshares will take all action necessary to cause the termination or delisting of its common stock on any over-the-counter market;
  
- we agreed that, subject to applicable law, First Midwest and NI Bancshares will cooperate with each other and to prepare promptly and file all necessary documentation to obtain all required permits, consents, approvals and authorizations of third parties and governmental entities, including this proxy statement/prospectus and the registration statement for the First Midwest common stock to be issued in the merger of which this proxy statement/prospectus is a part;
  
- we agreed that NI Bancshares will provide First Midwest, and First Midwest's officers, employees, counsel, accountants and other authorized representatives, access during normal business hours throughout the period prior to the effective time of the merger to the books, records, properties, personnel and other information of NI Bancshares as First Midwest may reasonably request;
  
- we agreed that NI Bancshares will provide First Midwest with copies of documents filed by NI Bancshares pursuant to the requirements of federal or state banking or securities laws and all other information concerning the business, properties and personnel of NI Bancshares as First Midwest may reasonably request, including providing First Midwest with final biweekly general ledger reports for the biweekly period beginning with December 1, 2015 and until the effective time of the merger;
  
- we agreed to cooperate on stockholder and employee communications and press releases;
  
- we agreed that NI Bancshares will not take any actions that would cause the transactions contemplated by the merger agreement to be subject to any takeover laws or certain provisions of NI Bancshares' certificate of incorporation;

- we agreed to keep any nonpublic information confidential;
  
- we agreed that NI Bancshares will take all action necessary to terminate the NB&T Profit Sharing Plan prior to the closing of the merger and to terminate NI Bancshares Deferred Compensation Plan within 30 days prior to the effective time of the merger;
  
- we agreed that NI Bancshares will terminate its general severance policy prior to the effective time of the merger and that certain employees of NI Bancshares and NB&T will be entitled to receive certain severance benefits as provided in the merger agreement if they incur a qualifying involuntary termination of employment after the effective time of the merger;
  
- we agreed that First Midwest will cause each employee benefit plan of First Midwest in which NI Bancshares employees are eligible to participate to take into account, for purposes of eligibility and vesting (and not for benefit accrual) thereunder, the service of such employees with NI Bancshares as if such service were with First Midwest, to the same extent that such service was credited under a comparable plan of NI Bancshares, and, with respect to welfare benefit plans of First Midwest in which employees of NI Bancshares are eligible to participate, First Midwest

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agreed to waive any preexisting conditions, waiting periods and actively at work requirements under such plans;

- we agreed that for purposes of each First Midwest health plan, First Midwest shall cause any eligible expenses incurred by employees of NI Bancshares and their covered dependents during the portion of the plan year of the comparable plan of NI Bancshares ending on the date such employee's participation in the corresponding First Midwest plan begins to be taken into account under such First Midwest plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year of the First Midwest plan;
- we agreed that NI Bancshares will order and deliver or cause to be delivered to First Midwest title commitments, surveys and title documents for certain real property owned by NI Bancshares or its subsidiaries in order to determine, as provided in the merger agreement, whether there are any defects to the title of such real property;
- we agreed that First Midwest will be permitted to perform certain environmental examinations after the execution of the merger agreement to real property owned or leased by NI Bancshares or its subsidiaries in order to determine, as provided in the merger agreement, whether certain environmental conditions exist on such real property;
- we agreed that if environmental conditions and/or title defects exist with respect to real property owned by NI Bancshares and its subsidiaries, and the cost to remediate such conditions and cure such defects is greater than \$150,000 in the aggregate, the cash received by the holders of NI Bancshares common stock in connection with the merger will be reduced by such cost up to an aggregate amount of \$1,000,000, or on a per share basis by dividing such amount by the fully diluted number of outstanding shares as provided in the merger agreement. If such cost exceeds \$1,000,000, First Midwest may terminate the merger agreement or reduce the cash component of the consideration by \$1,000,000 and, subject to the satisfaction of all other conditions, proceed to the closing of the merger;
- we agreed that First Midwest will make a \$250,000 donation to the First Midwest Charitable Foundation to provide a pool of funds to be used within the trade areas in which NI Bancshares operates;
- we agreed First Midwest would honor its obligations under certain letter agreements related to post-merger employment entered into with executive officers of NI Bancshares and NB&T and honor the obligations of NI Bancshares and NB&T under the NI Bancshares Executive Change in Control Severance Plan as applicable to officers who did not enter into letter agreements with First Midwest. See The Merger Interests of Certain Persons in the Merger ;

- we agreed that, upon completion of the merger, First Midwest will indemnify, defend and hold harmless the directors and officers of NI Bancshares and NB&T (when acting in such capacity) against all costs and liabilities arising out of actions or omissions occurring at or before the completion of the merger, in accordance with First Midwest's restated certificate of incorporation and amended and restated by-laws to the extent permitted by law;
- we agreed that, for a period of six years after the effective time of the merger, First Midwest will maintain NI Bancshares' existing director's and officer's liability insurance if the total premium therefor is not in excess of 200% of the last annual premium paid prior to the date of the merger agreement. See "The Merger - Interests of Certain Persons in the Merger"; and
- we agreed to use our commercially reasonable efforts to plan, execute and complete the conversion of the processing, computing, payment and other operating systems of NB&T to those

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of First Midwest Bank by the closing of the merger, or at such later time as First Midwest may determine, provided that such conversion shall not become effective prior to the closing of the merger.

**Conditions to Completion of the Merger**

The obligations of First Midwest and NI Bancshares to complete the merger are subject to the satisfaction or waiver of the following conditions:

- the merger agreement and the merger must be approved by the requisite vote of holders of NI Bancshares common stock;
- the required regulatory approvals must be obtained without any conditions that could have a material adverse effect on First Midwest or materially restrict First Midwest or any of its subsidiaries in connection with the transactions contemplated by the merger agreement or with respect to the business or operations of First Midwest or any of its subsidiaries, and any waiting periods required by law must expire;
- the First Midwest common stock that is to be issued in the merger must be approved for listing on the NASDAQ Stock Market and the registration statement filed with the SEC, of which this proxy statement/prospectus is a part, must be effective; and
- there must be no government action or other legal restraint or prohibition preventing completion of the merger or the other transactions contemplated by the merger agreement.

The obligation of NI Bancshares to complete the merger is subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of First Midwest contained in the merger agreement must be true and correct in all material respects (except for representations and warranties qualified by the words "material" or "material adverse effect", which are required to be true in all respects) and First Midwest must have performed all obligations and complied with all agreements and covenants required to be performed by it under the merger agreement in all material respects; and



- receipt of a legal opinion from Barack Ferrazzano, dated as of the date the merger is completed, that, on the basis of facts, representations and assumptions set forth in the opinion, the merger will be treated as a tax-free reorganization under federal tax laws.

In addition, the obligation of First Midwest to complete the merger is subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of NI Bancshares contained in the merger agreement must be true and correct in all material respects (except for representations and warranties qualified by the words "material" or "material adverse effect" and certain representations and warranties regarding the capitalization of NI Bancshares, which are required to be true in all respects) and NI Bancshares must have performed all obligations and shall have complied with all agreements and covenants required to be performed by it under the merger agreement in all material respects;
- receipt of a legal opinion from Chapman and Cutler, dated as of the date the merger is completed, that, on the basis of facts, representations and assumptions set forth in the opinion, the merger will be treated as a tax-free reorganization under federal tax laws;

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- receipt of a legal opinion from Barack Ferrazzano as to certain corporate matters, including NI Bancshares due incorporation and legal standing, the legal status of NI Bancshares capital stock and the due authorization and execution of the merger agreement.
- the number of dissenting shares shall not exceed 5% of the outstanding shares of NI Bancshares common stock;
- NI Bancshares shall have obtained all required third party consents, as defined in the merger agreement and shall deliver to First Midwest an officers certificate to that effect;
- NI Bancshares closing tangible equity, as defined in the merger agreement, must be greater than or equal to \$53,000,000;
- NB&T's loan loss reserve must be greater than or equal to 0.90% of NB&T's extensions of credit;
- NI Bancshares consolidated total loans (excluding loans held for sale) must be greater than or equal to \$350,000,000;
- the environmental and title review process of NI Bancshares real property set forth in the merger agreement shall be completed in accordance with the provisions of the merger agreement;
- the receipt by First Midwest of the resignations, effective as of the effective time of the merger, of each director and officer of NI Bancshares and each director and executive officer of NB&T;
- the receipt by First Midwest of a certificate by NI Bancshares stating that it and NB&T are not and have not been United States real property holding corporations;
- the receipt by First Midwest of a certificate by NI Bancshares stating a material adverse effect, as defined in the merger agreement, has not occurred to NI Bancshares since the date the merger agreement was executed; and

- the 10-day average balance of NB&T's consolidated deposits must be no less than \$515,000,000 for the 10-day period ending on the day immediately prior to the closing date.

No assurance can be provided as to whether all of the conditions to the merger will be satisfied or waived by the party permitted to do so. As discussed below, if the merger is not completed on or before November 12, 2016, either First Midwest or NI Bancshares may terminate the merger agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to comply with any of the provisions of the merger agreement.

#### **Termination of the Merger Agreement**

The merger agreement may be terminated by either First Midwest or NI Bancshares at any time before or after the merger agreement and the transactions contemplated thereby are approved by NI Bancshares stockholders:

- by our mutual consent;
- if any governmental entity that must grant a regulatory approval has denied approval of the merger, bank merger or the other transactions contemplated thereby by final and nonappealable action, but not by a party whose failure to comply with any provision of the merger agreement caused, or materially contributed to, such denial, or if an application for a required regulatory approval has been withdrawn upon the request or recommendation of the applicable governmental authority and such authority would not accept the refiling of such application;

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- if the merger is not completed on or before November 12, 2016, unless the failure to complete the merger by this date is due to the failure of the party seeking to terminate the merger agreement to comply with any of the provisions of the merger agreement; or
- if the other party is in a continuing breach of a representation, warranty or covenant contained in the merger agreement, as long as that breach has not been cured within 15 days of written notice thereof and that breach would also allow the non-breaching party not to complete the merger.

The merger agreement may also be terminated by First Midwest at any time before or after the merger agreement and the transactions contemplated thereby are approved by NI Bancshares stockholders:

- if NI Bancshares stockholders fail to approve the merger agreement and the other transactions contemplated thereby, including the merger;
- if NI Bancshares board of directors submits the merger agreement and the other transactions contemplated thereby to its stockholders without a recommendation for approval or with special and materially adverse qualifications on the approval, or if the board of directors otherwise withdraws or materially and adversely modifies its recommendation for approval;
- if NI Bancshares board of directors recommends an acquisition proposal other than the merger, or if NI Bancshares board of directors negotiates or authorizes negotiations with a third party regarding an acquisition proposal other than the merger and those negotiations continue for at least 10 business days, except that negotiations will not include the request and receipt of information from any person that submits an acquisition proposal, or discussions regarding such information for the sole purpose of ascertaining the terms of the acquisition proposal and determining whether NI Bancshares board of directors will in fact engage in or authorize negotiations;
- if NI Bancshares has breached its covenant not to solicit or encourage inquiries or proposals with respect to any acquisition proposal, in circumstances not permitted under the merger agreement, as described above under Acquisition Proposals by Third Parties ;
- if the number of dissenting shares exceeds 5% of the outstanding shares of NI Bancshares common stock; or

- if the cost of remediating environmental conditions and/or curing title defects with respect to NI Bancshares real property exceeds \$1,000,000, as discussed under Merger Consideration.

The merger agreement also provides that NI Bancshares must pay First Midwest a fee equal to \$2,800,000 in the following circumstances if they occur on or prior to the termination of the merger agreement or the 18 month anniversary of the termination of the merger agreement in certain circumstances set forth in the merger agreement:

- if NI Bancshares board of directors submits the merger agreement and the transactions contemplated thereby, including the merger, to NI Bancshares stockholders without a recommendation for approval or with material and adverse conditions on such approval, or withdraws or materially and adversely modifies its recommendation;
- if NI Bancshares enters into an agreement to engage in a competing acquisition proposal with any person other than First Midwest or any of First Midwest's subsidiaries;
- if NI Bancshares authorizes, recommends or proposes (or publicly announces its intention to authorize, recommend or propose) an agreement to engage in a competing acquisition proposal with any person other than First Midwest or its subsidiaries or NI Bancshares board of directors recommends that NI Bancshares stockholders approve or accept such a competing acquisition proposal;

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- if any person, other than First Midwest or its subsidiaries, acquires beneficial ownership or the right to acquire beneficial ownership of 20% or more of the outstanding shares of NI Bancshares common stock;
- if NI Bancshares fails to convene a stockholder meeting to approve the merger agreement and the other transactions contemplated thereby, including the merger, within 45 days of the effectiveness of this registration statement of which the proxy statement/prospectus is a part; or
- NI Bancshares breaches its covenant not to solicit or encourage inquiries or proposals with respect to any acquisition proposal in circumstances not permitted under the merger agreement, which covenant is described above under Acquisition Proposals by Third Parties.

In addition, as discussed under Merger Consideration , NI Bancshares may terminate the merger agreement if the volume weighted average price of First Midwest common stock during the 15 consecutive NASDAQ Stock Market trading days ending on and including the trading day immediately preceding the day on which all requisite regulatory approvals have been received both (i) is less than \$14.6055 per share and (ii) underperforms a specified index of financial institution stocks during such period by more than 15%. However, if NI Bancshares elects to terminate the merger agreement under these circumstances, First Midwest may, but is not obligated to, elect to increase the exchange ratio or the amount of cash to be received per share of NI Bancshares common stock as provided in the merger agreement. If this election is made, NI Bancshares may not terminate the merger agreement under these circumstances.

**Waiver and Amendment of the Merger Agreement**

At any time before completion of the merger, either First Midwest or NI Bancshares may, to the extent legally allowed, waive in writing compliance by the other with any provision contained in the merger agreement. However, once NI Bancshares stockholders have voted on the proposed transaction, no waiver of any condition may be made that would require further approval by NI Bancshares stockholders unless that approval is obtained.

First Midwest may also change the structure of the merger by providing at least five days notice before NI Bancshares stockholders vote on the merger agreement and the transactions contemplated thereby, so long as any change does not: (1) change the amount or type of consideration to be received by NI Bancshares stockholders; (2) adversely affect the timing of or capability of completion of the merger; (3) adversely affect the tax consequences of the merger to NI Bancshares stockholders; or (4) cause or could be reasonably expected to cause any of the conditions to complete the merger to be incapable of being satisfied.

**Regulatory Approvals Required for the Merger**

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We have agreed to use commercially reasonable efforts to obtain the regulatory approvals required for the merger. We refer to these approvals, along with the expiration of any statutory waiting periods related to these approvals, as the requisite regulatory approvals. These include approval from the Federal Reserve and approval from the IDFPR. We filed the applications and notifications to obtain the requisite regulatory approvals and have since received them. We cannot assure you that the U.S. Department of Justice or a state attorney general will not attempt to challenge the merger on antitrust grounds, or, if such a challenge is made, as to the result of that challenge. Completion of the bank merger also requires prior notice to the OCC, and such notice has already been provided, as well as a final notice following completion.

We are not aware of any other material governmental approvals or actions that are required prior to the parties' completion of the merger other than those described below. We presently contemplate that if any additional governmental approvals or actions are required, these approvals or actions will be sought. However, we cannot assure you that any of these additional approvals or actions will be obtained.

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*Federal Reserve.* Completion of the merger requires approval by the Federal Reserve pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended ( BHC Act ), and the Federal Reserve has approved the merger.

The Federal Reserve is prohibited from approving any merger transaction under Section 3 of the BHC Act (1) that would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize, or to attempt to monopolize, the business of banking in any part of the United States, or (2) whose effect in any section of the United States may be to substantially lessen competition, or to tend to create a monopoly or in any other manner restrain trade, unless the Federal Reserve finds that the anti-competitive effects of the merger transaction are clearly outweighed in the public interest by the probable effect of the merger transaction in meeting the convenience and needs of the communities to be served.

In addition, among other things, in reviewing the merger, the Federal Reserve must consider (1) the financial condition and future prospects of First Midwest, NI Bancshares and their subsidiary banks, (2) the competence, experience, and integrity of the officers, directors and principal stockholders of First Midwest, NI Bancshares and their subsidiary banks, (3) the convenience and needs of the communities to be served, including the record of performance under the Community Reinvestment Act of 1977, as amended, (4) the companies' effectiveness in combating money-laundering activities, (5) First Midwest's and its subsidiaries' record of compliance with applicable community reinvestment laws and (6) the risk to the stability of the United States banking or financial system presented by the merger and the related transactions.

Completion of the bank merger requires approval by the Federal Reserve pursuant to the Bank Merger Act, and the Federal Reserve also has approved the bank merger. In evaluating an application filed under the Bank Merger Act, the Federal Reserve uses substantially the same criteria as used when evaluating applications filed pursuant to the BHC Act as described above.

Pursuant to the BHC Act and the Bank Merger Act, a transaction approved by the Federal Reserve is subject to a waiting period ranging from 15 to 30 days, during which time the U.S. Department of Justice may challenge the merger transaction on antitrust grounds and seek appropriate relief. The commencement of an antitrust action would stay the effectiveness of such an approval unless a court specifically ordered otherwise. In reviewing the merger, the U.S. Department of Justice could analyze the merger's effect on competition differently than the Federal Reserve, and thus it is possible that the U.S. Department of Justice could reach a different conclusion than the Federal Reserve regarding the merger's effects on competition. A determination by the U.S. Department of Justice not to object to the merger does not prevent the filing of antitrust actions by private persons or state attorneys general.

*Illinois Department of Financial and Professional Regulation.* Completion of the bank merger requires approval from the IDFPR under Section 22 of the Illinois Banking Act, and the IDFPR has approved the bank merger.

Among other things, in reviewing the bank merger, the IDFPR must consider (1) the financial condition and future prospects of First Midwest, NI Bancshares and their subsidiary banks, (2) the general character, experience and qualifications of the directors and management of the resulting bank, (3) the convenience and needs of the area sought to be served by the resulting bank, (4) the fairness of the proposed merger to all parties involved, and (5) the safety and soundness of the resulting bank following the proposed bank merger.



*Office of the Comptroller of the Currency.* Completion of the bank merger requires prior notice to the OCC pursuant to 12 CFR § 5.33(g)(3)(ii), and such notice has been provided, as well as a final notice filed upon completion of the bank merger.

**Dividends**

NI Bancshares is prohibited from paying cash dividends to stockholders of its common stock, except that NI Bancshares is permitted to pay its regular \$0.25 semi-annual dividend consistent with past practice provided at the time of or as a result of the declaration or payment of any such dividend the tangible common equity, as defined in the merger agreement, of NI Bancshares will not be less than \$53,000,000.

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For further information, please see Price Range of Common Stock and Dividends.

**Stock Exchange Listing**

First Midwest has agreed to use its commercially reasonable efforts to list the First Midwest common stock to be issued in the merger on the NASDAQ Stock Market. It is a condition to the completion of the merger that those shares be approved for listing on the NASDAQ Stock Market, subject to official notice of issuance. Following the merger, First Midwest expects that its common stock will continue to trade on the NASDAQ Stock Market under the symbol FMBI.

**Restrictions on Resales by Affiliates**

First Midwest has registered its shares of common stock to be issued in the merger with the SEC under the Securities Act. No restrictions on the sale or other transfer of shares of First Midwest common stock issued in the merger will be imposed solely as a result of the merger, except for restrictions on the transfer of shares of First Midwest common stock issued to any NI Bancshares stockholder who is or becomes an affiliate of First Midwest for purposes of Rule 144 under the Securities Act. The term affiliate is defined in Rule 144 under the Securities Act as a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, First Midwest or the combined company, as the case may be, and generally includes executive officers, directors and stockholders beneficially owning 10% or more of First Midwest's outstanding common stock.

**Dissenters' Rights of Appraisal of NI Bancshares Stockholders**

*The following discussion is a summary of the material statutory procedures to be followed by a holder of NI Bancshares common stock in order to dissent from the merger and perfect appraisal rights. If you want to exercise appraisal rights, you should review carefully Section 262 of the DGCL and are urged to consult a legal advisor before electing or attempting to exercise these rights because the failure to precisely follow all the necessary legal requirements may result in the loss of such appraisal rights. This description is not complete and is qualified in its entirety by the full text of the relevant provisions of the DGCL, which are reprinted in their entirety as Appendix C to this proxy statement/prospectus. NI Bancshares stockholders seeking to exercise appraisal rights must strictly comply with these provisions.*

Stockholders of NI Bancshares as of the record date may exercise appraisal rights in connection with the merger by complying with Section 262 of the DGCL. Completion of the merger is subject to, among other things, the holders of no more than 5% of the outstanding shares of NI Bancshares common stock electing to exercise their appraisal rights.

If you hold one or more shares of NI Bancshares common stock, you are entitled to appraisal rights under Delaware law and have the right to dissent from the merger, have your shares appraised by the Delaware Court of Chancery and receive the fair value of such shares (exclusive of any element of value arising from the accomplishment or expectation of the merger) as of completion of the merger in place of the merger consideration, as determined by the court, if you strictly comply with the procedures specified in Section 262 of the DGCL. Any such NI Bancshares stockholder awarded fair value for such stockholder's shares by the Delaware Chancery Court would receive payment of that fair

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value in cash, together with interest, if any, in lieu of the right to receive the merger consideration, and accordingly, such stockholder awarded fair value for their shares would not receive any shares of First Midwest common stock following the completion of the merger. Such fair value amount may differ from the value of the consideration that you would otherwise receive in the merger.

The following is a summary of the statutory procedures that you must follow if you elect to exercise your appraisal rights under the DGCL. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that you exercise your rights to seek appraisal under Section 262 of the DGCL. This summary is not complete and is qualified in its entirety by reference to Section 262 of the DGCL, the text of which is set forth in full in *Appendix C* to this proxy statement/prospectus.

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Under Section 262 of the DGCL, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262 of the DGCL. This proxy statement/prospectus constitutes NI Bancshares' notice to its stockholders that appraisal rights are available in connection with the merger, and the full text of Section 262 of the DGCL is attached to this proxy statement/prospectus as *Appendix C*. A holder of NI Bancshares common stock who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review the following discussion and *Appendix C* carefully. Failure to strictly comply with the procedures of Section 262 of the DGCL in a timely and proper manner will result in the loss of appraisal rights. A stockholder who loses his, her or its appraisal rights will be entitled to receive the per share merger consideration.

*How to exercise and perfect your right to dissent.* NI Bancshares stockholders wishing to exercise the rights to seek an appraisal of its shares must do ALL of the following:

- you must not vote in favor of the adoption of the merger agreement. Because a proxy that is signed and submitted but does not otherwise contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, if you vote by proxy and wish to exercise your appraisal rights you must vote against the adoption of the merger agreement or abstain from voting your shares;
- you must deliver to NI Bancshares a written demand for appraisal before the vote on the adoption of the merger agreement at the special meeting and all demands for appraisal must reasonably inform NI Bancshares of your identity and your intention to demand appraisal of your shares of common stock;
- you must continuously hold the shares from the date of making the demand through the effective date of the merger. You will lose your appraisal rights if you transfer the shares before the effective date of the merger; and
- you or the surviving company must file a petition in the Delaware Court of Chancery requesting a determination of the fair value of the shares within 120 days after the effective date of the merger. The surviving company is under no obligation to file any such petition in the Delaware Court of Chancery and has no intention of doing so. Accordingly, it is the obligation of the NI Bancshares stockholders to initiate all necessary action to perfect their appraisal rights in respect of shares of NI Bancshares common stock within the time prescribed in Section 262 of the DGCL.

Voting, in person or by proxy, against, abstaining from voting on or failing to vote on the adoption of the merger agreement will not constitute a written demand for appraisal as required by Section 262 of the DGCL. The written demand for appraisal must be in addition to and separate from any proxy or vote.

*Who May Exercise Appraisal Rights.* Any holder of shares of NI Bancshares common stock wishing to exercise appraisal rights must deliver to NI Bancshares, before the vote on the adoption of the merger agreement at the special meeting at which the merger proposal will be submitted to the NI Bancshares stockholders, a written demand for the appraisal of such stockholder's shares, and that stockholder must not submit a blank proxy or vote in favor of the merger proposal. A holder of shares of NI Bancshares common stock wishing to exercise appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective date of the merger. A demand for appraisal must be executed by or on behalf of the stockholder of record and must reasonably inform NI Bancshares of the identity of the stockholder and that the stockholder intends to demand appraisal of his, her or its shares of NI Bancshares common stock.

Only a holder of record of shares of NI Bancshares common stock is entitled to demand appraisal rights for the shares registered in that holder's name. Beneficial owners who do not also hold their shares of common stock of record may not directly make appraisal demands to NI Bancshares. The beneficial holder must, in such cases, have the owner of record, such as a bank, brokerage firm or other nominee, submit the required demand in respect of

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those shares of common stock of record. A record owner, such as a bank, brokerage firm or other nominee, who holds shares of NI Bancshares common stock as a nominee for others, may exercise his, her or its right of appraisal with respect to the shares of NI Bancshares common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of NI Bancshares common stock as to which appraisal is sought. Where no number of shares of NI Bancshares common stock is expressly mentioned, the demand will be presumed to cover all shares of NI Bancshares common stock held in the name of the record owner.

**IF YOU HOLD YOUR SHARES IN BANK OR BROKERAGE ACCOUNTS OR OTHER NOMINEE FORMS, AND YOU WISH TO EXERCISE APPRAISAL RIGHTS, YOU SHOULD CONSULT WITH YOUR BANK, BROKERAGE FIRM OR OTHER NOMINEE, AS APPLICABLE, TO DETERMINE THE APPROPRIATE PROCEDURES FOR THE BANK, BROKERAGE FIRM OR OTHER NOMINEE TO MAKE A DEMAND FOR APPRAISAL OF THOSE SHARES. IF YOU HAVE A BENEFICIAL INTEREST IN SHARES HELD OF RECORD IN THE NAME OF ANOTHER PERSON, SUCH AS A BANK, BROKERAGE FIRM OR OTHER NOMINEE, YOU MUST ACT PROMPTLY TO CAUSE THE RECORD HOLDER TO FOLLOW PROPERLY AND IN A TIMELY MANNER THE STEPS NECESSARY TO PERFECT YOUR APPRAISAL RIGHTS.**

If you own shares of NI Bancshares common stock jointly with one or more other persons, as in a joint tenancy or tenancy in common, demand for appraisal must be executed by or for you and all other joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, such person is acting as agent for the record owner. If you hold shares of NI Bancshares common stock through a broker who in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

If you elect to exercise appraisal rights under Section 262 of the DGCL, you should mail or deliver a written demand to:

NI Bancshares Corporation

Attention: Michael A. Cullen,

President and Chief Executive Officer

230 West State Street  
Sycamore, IL 60178  
(815) 895-2125

You should sign every communication.

*First Midwest's actions after completion of the merger.* If the merger is completed, the surviving company will give written notice of the effective date of the merger within 10 days after the effective date to you if you did not vote in favor of the merger agreement and you made a written demand for appraisal in accordance with Section 262 of the DGCL. At any time within 60 days after the effective date of the merger, you have the right to withdraw the demand and to

accept the merger consideration in accordance with the merger agreement for your shares of NI Bancshares common stock, provided that you have not commenced an appraisal proceeding or joined an appraisal proceeding as a named party. Within 120 days after the effective date of the merger, but not later, either you, provided you have complied with the requirements of Section 262 of the DGCL, or the surviving company may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery, with a copy served on the surviving company in the case of a petition filed by you, demanding a determination of the value of the shares of NI Bancshares common stock held by all stockholders entitled to appraisal rights. The surviving company is under no obligation to file an appraisal petition and has no intention of doing so. If you desire to have your shares appraised, you should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL.

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Within 120 days after the effective date of the merger, provided you have complied with the provisions of Section 262 of the DGCL, you will be entitled to receive from the surviving company, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which NI Bancshares has received demands for appraisal, and the aggregate number of holders of those shares. The surviving company must mail this statement to you within the later of 10 days of receipt of the request or 10 days after expiration of the period for delivery of demands for appraisal. If you are the beneficial owner of shares of stock held in a voting trust or by a nominee on your behalf you may, in your own name, file an appraisal petition or request from the surviving company the statement described in this paragraph.

If a petition for appraisal is duly filed by you or another record holder of NI Bancshares common stock who has properly exercised appraisal rights in accordance with the provisions of Section 262 of the DGCL, and a copy of the petition is delivered to the surviving company, the surviving company will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all holders who have demanded an appraisal of their shares. The Delaware Court of Chancery will then determine which stockholders are entitled to appraisal rights and may require the stockholders demanding appraisal who hold certificated shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings and the Delaware Court of Chancery may dismiss any stockholder who fails to comply with this direction from the appraisal proceedings. Where appraisal proceedings are not dismissed or the demand for appraisal is not successfully withdrawn, the appraisal proceeding will be conducted as to the shares of NI Bancshares common stock owned by such stockholders, in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. The Delaware Court of Chancery will thereafter determine the fair value of the shares of NI Bancshares common stock at the effective time held by stockholders entitled to appraisal rights, exclusive of any element of value arising from the accomplishment or expectation of the merger. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. When the value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon, if any, to the stockholders entitled to receive the same, upon surrender by such stockholders of their stock certificates and book-entry shares.

In determining the fair value, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other factors which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 of the DGCL to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

An opinion of an investment banking firm as to the fairness from a financial point of view of the consideration payable in a merger is not an opinion as to, and does not in any manner address, fair value under Section 262 of the DGCL. The fair value of their shares as determined under Section 262 of the DGCL could be greater than, the same as, or less than the value of the merger consideration. We do not anticipate offering more than the per share merger consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of NI Bancshares common stock is less than the per share merger consideration.





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If no party files a petition for appraisal within 120 days after the effective time, then you will lose the right to an appraisal, and will instead receive the merger consideration described in the merger agreement, without interest thereon, less any withholding taxes.

The Delaware Court of Chancery may determine the costs of the appraisal proceeding and may allocate those costs to the parties as the Delaware Court of Chancery determines to be equitable under the circumstances. However, costs do not include attorneys and expert witness fees. Each stockholder exercising appraisal rights is responsible for its own attorneys and expert witnesses expenses, although, upon application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal.

If you have duly demanded an appraisal in compliance with Section 262 of the DGCL you may not, after the effective date of the merger, vote the NI Bancshares shares subject to the demand for any purpose or receive any dividends or other distributions on those shares, except dividends or other distributions payable to holders of record of shares of NI Bancshares common stock as of a record date prior to the effective date of the merger.

If you have not commenced an appraisal proceeding or joined such a proceeding as a named party you may withdraw a demand for appraisal and accept the merger consideration by delivering a written withdrawal of the demand for appraisal to the surviving company, except that any attempt to withdraw made more than 60 days after the effective date of the merger will require written approval of the surviving company, and no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery. Such approval may be conditioned on the terms the Delaware Court of Chancery deems just, provided, however, that this provision will not affect the right of any stockholder who has not commenced an appraisal proceeding or joined such proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered in the merger within 60 days after the effective date of the merger. If you fail to perfect, successfully withdraw or lose the appraisal right, your shares will be converted into the right to receive the merger consideration, without interest thereon, less any withholding taxes.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of appraisal rights. In that event, you will be entitled to receive the merger consideration for your shares in accordance with the merger agreement. In view of the complexity of the provisions of Section 262 of the DGCL, if you are a NI Bancshares stockholder and are considering exercising your appraisal rights under the DGCL, you should consult your own legal advisor.

**THE PROCESS OF DEMANDING AND EXERCISING APPRAISAL RIGHTS REQUIRES STRICT COMPLIANCE WITH TECHNICAL PREREQUISITES. IF YOU WISH TO EXERCISE YOUR APPRAISAL RIGHTS, YOU SHOULD CONSULT WITH YOUR OWN LEGAL COUNSEL IN CONNECTION WITH COMPLIANCE UNDER SECTION 262 OF THE DGCL. TO THE EXTENT THERE ARE ANY INCONSISTENCIES BETWEEN THE FOREGOING SUMMARY AND SECTION 262 OF THE DGCL, THE DGCL WILL GOVERN.**

**Voting Agreements**

## Edgar Filing: FIRST MIDWEST BANCORP INC - Form 424B3

In connection with the execution of the merger agreement, and as a condition to First Midwest's willingness to enter into the merger agreement, directors and officers of NI Bancshares and NB&T who beneficially owned in the aggregate approximately 21% of NI Bancshares outstanding common stock as of November 12, 2015 have entered into voting agreements with First Midwest. Copies of the form of these voting agreements are attached as Annex 1-B to the merger agreement included as *Appendix A*.

Under the voting agreement, each such stockholder has agreed, with respect to the shares of NI Bancshares common stock owned of record or beneficially by him or her, that at any meeting of NI Bancshares stockholders in relation to the merger agreement and transactions contemplated by the merger agreement and at the special

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stockholders meeting or any other meeting or action of NI Bancshares stockholders called in relation to such matters, he or she shall vote or cause to be voted such shares as follows:

- vote in favor of the adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger; and
- not vote in favor of any competing acquisition proposal or any action that is intended or could reasonably be expected to materially impede, interfere with, delay or materially and adversely affect the merger or any transactions contemplated by the merger agreement.

The voting agreement also contains restrictions on the sale, transfer, assignment, pledge or other disposition of the stockholder's shares unless the stockholder receives an irrevocable proxy in a form satisfactory to First Midwest regarding the merger agreement, the merger and any other matters required to be approved to complete the merger and the transactions contemplated by the merger agreement or the transferee signs a voting agreement identical in all material respects.

The voting agreement will terminate automatically upon the termination of the merger agreement or in the event the board of directors of NI Bancshares submits the merger agreement to the NI Bancshares stockholders without a recommendation for approval.

**Confidentiality, Non-Solicitation and Non-Competition Agreements**

In connection with the execution of the merger agreement, and as a condition to First Midwest's willingness to enter into the merger agreement, all of the directors and executive officers of NI Bancshares and NB&T, who beneficially own in the aggregate approximately 21% of NI Bancshares' outstanding common stock as of the record date, have entered into confidentiality, non-solicitation and non-competition agreements with First Midwest. Copies of the form of these confidentiality, non-solicitation and non-competition agreements are attached as Annex 2-B to the merger agreement included as *Appendix A*.

Under the confidentiality, non-solicitation and non-competition agreement, each director or executive officer has agreed to keep secret and confidential certain information related to NI Bancshares and its business and to refrain from competing against or soliciting the customers or employees of NI Bancshares for a period of 2 years following the effective time of the merger.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDENDS****First Midwest**

First Midwest common stock is traded on the NASDAQ Stock Market under the symbol FMBI. The following table shows the high and low reported intra-day sales prices per share of First Midwest common stock as reported by NASDAQ and the cash dividends declared per share.

	High	Sales Price Per Share	Low	Cash Dividends Per Share
<b>2014</b>				
First Quarter	\$17.83		\$15.36	\$0.07
Second Quarter	\$18.19		\$15.49	\$0.08
Third Quarter	\$17.77		\$15.64	\$0.08
Fourth Quarter	\$17.99		\$15.01	\$0.08
<b>2015</b>				
First Quarter	\$17.84		\$15.34	\$0.09
Second Quarter	\$19.53		\$16.89	\$0.09
Third Quarter	\$19.52		\$16.72	\$0.09
Fourth Quarter	\$19.81		\$16.56	\$0.09
<b>2016</b>				
First Quarter (through January 19, 2016)	\$18.59		\$16.23	N/A

The following table sets forth the closing sale prices per share of First Midwest common stock on November 11, 2015, the last trading day completed before the public announcement of the signing of the merger agreement, and on January 19, 2016, the latest practicable date before the date of this proxy statement/prospectus.

	Closing Price Per Share of First Midwest Common Stock
November 11, 2015	\$19.04
January 19, 2016	\$16.58

Past price performance is not necessarily indicative of likely future performance. Because market prices of shares of First Midwest common stock will fluctuate, you are urged to obtain current market prices for shares of First Midwest common stock. No assurance can be given concerning the market price of shares of First Midwest common stock or NI Bancshares common stock before or after the effective date of the merger. Changes in the market price of shares of First Midwest common stock prior to the completion of the merger will affect the market value of the merger consideration that NI Bancshares stockholders will receive upon completion of the merger.

First Midwest may repurchase shares of its common stock in accordance with applicable legal guidelines. The actual amount of shares repurchased will depend on various factors, including: the discretion of First Midwest's board of directors; market conditions; legal limitations and considerations affecting the amount and timing of repurchase activity; the company's capital position; internal capital generation; and alternative potential investment opportunities.

After the merger, First Midwest currently expects to pay (when, as and if declared by First Midwest's board of directors out of funds legally available) regular quarterly cash dividends of \$0.09 per share, in accordance with

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First Midwest's current practice. The actual payment of future dividends remains subject to the determination and discretion of First Midwest's board of directors and may change at any time. In the fourth quarter of 2014 and the second quarter of 2015, payable in the first quarter of 2015 and the third quarter of 2015, respectively, NI Bancshares declared a semi-annual cash dividend of \$0.25 per share of NI Bancshares common stock, equivalent to \$0.50 paid annually. In the fourth quarter of 2015, First Midwest declared a quarterly cash dividend of \$0.09 per share of First Midwest common stock. For comparison, NI Bancshares stockholders would therefore receive a quarterly cash dividend following the merger equivalent to approximately \$0.26 per share of NI Bancshares common stock, which equals approximately \$1.04 annually, based on First Midwest's current quarterly dividend rate of \$0.09 per share and assuming there is no adjustment to the exchange ratio as provided in the merger agreement.

First Midwest's primary source of liquidity is dividend payments from First Midwest Bank. In addition to requirements to maintain adequate capital above regulatory minimums, First Midwest Bank is limited in the amount of dividends it can pay to First Midwest under the Illinois Banking Act. Under this law, First Midwest Bank is permitted to declare and pay dividends in amounts up to the amount of its accumulated net profits, provided that it retains in its surplus at least one-tenth of its net profits since the date of the declaration of its most recent dividend until those additions to surplus, in the aggregate, equal the paid-in capital of First Midwest Bank. While it continues its banking business, First Midwest Bank may not pay dividends in excess of its net profits then on hand (after deductions for losses and bad debts). In addition, First Midwest Bank is limited in the amount of dividends it can pay under the Federal Reserve Act and Regulation H. For example, dividends cannot be paid that would constitute a withdrawal of capital; dividends cannot be declared or paid if they exceed a bank's undivided profits; and a bank may not declare or pay a dividend if all dividends declared during the calendar year are greater than current year net income plus retained net income of the prior two years without Federal Reserve approval.

Since First Midwest is a legal entity, separate and distinct from First Midwest Bank, its dividends to stockholders are not subject to the bank dividend guidelines discussed above. However, First Midwest is subject to other regulatory policies and requirements related to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve and the IDFP are authorized to determine that the payment of dividends by First Midwest would be an unsafe or unsound practice and to prohibit payment under certain circumstances related to the financial condition of a bank or bank holding company. The Federal Reserve has taken the position that dividends that would create pressure or undermine the safety and soundness of a subsidiary bank are inappropriate. Due to the current financial and economic environment, the Federal Reserve indicated that bank holding companies should carefully review their dividend policy and discourage payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

Bank holding companies and banks with average total consolidated assets greater than \$10 billion must conduct an annual stress test of capital and consolidated earnings and losses under one base, both of which are provided by the federal banking agencies. Capital ratios reflected in required stress test calculations will most likely be an important factor considered by the federal banking agencies in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practice. In the event that First Midwest or First Midwest Bank grows to assets of \$10 billion or more, the Company will be subject to these stress test requirements.

Pursuant to the merger agreement, NI Bancshares is generally prohibited from paying cash dividends to stockholders of its common stock prior to completion of the merger, except NI Bancshares is permitted to declare and pay its regular \$0.25 semi-annual dividend consistent with past practice.

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**INFORMATION ABOUT FIRST MIDWEST AND NI BANCSHARES**

**First Midwest**

First Midwest is a Delaware corporation headquartered in the Chicago suburb of Itasca, Illinois. It is one of Illinois' largest independent publicly-traded bank holding companies. First Midwest's principal subsidiary, First Midwest Bank, and other affiliates provide a full range of business, middle market and retail banking as well as wealth management and private banking services to commercial and industrial, commercial real estate, municipal and consumer customers through over 100 locations in metropolitan Chicago, northwest Indiana, central and western Illinois, and eastern Iowa. At September 30, 2015, First Midwest had consolidated total assets of approximately \$9.9 billion. First Midwest common stock trades on the NASDAQ Stock Market under the symbol FMBI.

First Midwest's executive offices are located at One Pierce Place, Suite 1500, Itasca, Illinois 60143, and its telephone number is (630) 875-7463.

**NI Bancshares**

NI Bancshares, a Delaware business corporation incorporated in 1990, is a registered bank holding company headquartered in Sycamore, Illinois. Its primary business is operating its bank subsidiary, NB&T, a national banking association headquartered in Sycamore, Illinois. The predecessor to NB&T was founded in 1867 and NB&T currently serves local businesses and individuals through a full range of services including business and retail banking, trust and wealth management, farm management and financial planning. It provides these financial services through ten banking locations throughout DeKalb, LaSalle and Kane Counties in Illinois. At September 30, 2015, NB&T had approximately \$680 million in total assets, \$606 million in deposits and \$415 million in loans. NB&T also had over \$700 million in trust assets under administration at September 30, 2015.

*Business*

NB&T is an independent, community banking institution headquartered in Sycamore, Illinois. NB&T is one of DeKalb County's leading financial institutions regularly performing in the top two market share positions (based on total deposits) as reported and published by the FDIC. NB&T offers a comprehensive line of products and services designed to meet the financial needs of the communities it serves. The banking and financial services industry in the markets in which NB&T operates (and particularly the Chicago metropolitan area) is highly competitive. Generally, NB&T competes for banking customers and deposits with other local, regional, national, and internet banks and savings and loan associations; personal loan and finance companies; credit unions; mutual funds; and investment brokers.

*Deposit and Retail Services*



NB&T offers a full range of consumer and commercial deposit services that are typically available at most commercial banks and financial institutions, including checking accounts, NOW accounts, money market accounts, savings accounts, cash management, time deposits of various types ranging from shorter-term to longer-term certificates of deposit and individual retirement accounts. NB&T also provides online and mobile banking to its clients.

### *Lending*

NB&T provides a range of commercial real estate, residential real estate, commercial and industrial, agricultural and personal lending products and services for its customers. The majority of NB&T's client relationships are based in DeKalb, LaSalle and Kane counties in northern Illinois. When extending credit, NB&T's decisions are based upon the customer's ability to repay their loan, as well as the value of any collateral securing the loan.

### *Trust Services*

The NB&T Trust & Investment Group has been an integral part of NB&T for over 100 years and has over \$700 million of trust assets under management. With a team of certified professionals, CPAs, attorneys and support personnel, a broad range of trust and investment services including estate planning, trust, farm management, retirement and investment management are offered. In addition, the NB&T Trust & Investment Group provides retail investment services through a relationship with Money Concepts. NB&T Trust & Investment Group clients reside throughout northern Illinois and around the country.

### *Sources of Funds*

NB&T maintains stable sources of funding primarily through deposits from its customers, with over 95% of its deposits being core deposits. NB&T's largest categories of deposits are savings and money markets, followed by transactional accounts, and noninterest-bearing deposits. NB&T also obtains funds from the amortization,

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repayment, and prepayment of loans; the sales or maturity of investment securities; advances from the Federal Home Loan Bank; securities sold under agreements to repurchase; federal funds purchased; revolving lines of credit; and cash flows generated by operations.

*Investment Activities*

NB&T maintains a securities portfolio to manage risk and provide NB&T with asset diversification, income, collateral for its own borrowing and financial stability. The objectives of the securities portfolio are to diversify and mitigate exposures to credit and interest rate risk, to provide liquidity, and to enhance profitability by fully investing available funds.

*Additional Information*

NI Bancshares common stock is not registered under the Exchange Act and, accordingly, the company does not file periodic or current reports with the SEC. NI Bancshares common stock is traded on the OTC Pink market place under the symbol NIBA .

NI Bancshares executive offices are located at 230 West State Street, Sycamore, Illinois 60178, and its telephone number is (888) 895-2125.

**DESCRIPTION OF FIRST MIDWEST CAPITAL STOCK**

*As a result of the merger, NI Bancshares stockholders who receive shares of First Midwest common stock in the merger will become stockholders of First Midwest. Your rights as stockholders of First Midwest will be governed by Delaware law and the restated certificate of incorporation and the amended and restated by-laws of First Midwest as may be amended and in effect from time to time. The following description of the material terms of First Midwest's capital stock, including the common stock to be issued in the merger, reflects the anticipated state of affairs upon completion of the merger. We urge you to read the applicable provisions of Delaware law, First Midwest's restated certificate of incorporation and amended and restated by-laws and federal law governing bank holding companies carefully and in their entirety. Copies of First Midwest's restated certificate of incorporation and First Midwest's amended and restated by-laws have been filed with the SEC. To find out where copies of these documents can be obtained, see Where You Can Find More Information.*

**General**

First Midwest's authorized capital stock consists of 150,000,000 shares of First Midwest common stock, par value \$0.01 per share and 1,000,000, shares of preferred stock, without par value. As of the record date of the NI Bancshares special meeting, there were 78,024,739 shares of First Midwest common stock outstanding and no shares of First Midwest preferred stock outstanding. In addition, as of the record date of the special meeting, 1,160,043 shares of First Midwest common stock were reserved for issuance upon conversion or exercise of stock options and awards.

Because First Midwest is a holding company, the rights of First Midwest to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise (and thus the ability of First Midwest

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stockholders to benefit indirectly from such distribution) would be subject to the prior claims of creditors of that subsidiary, except to the extent that First Midwest itself may be a creditor of that subsidiary with recognized claims. Claims on First Midwest's subsidiaries by creditors other than First Midwest will include substantial obligations with respect to deposit liabilities and purchased funds.

**Preferred Stock**

First Midwest's restated certificate of incorporation authorizes the First Midwest board of directors to authorize the issuance of shares of First Midwest preferred stock without stockholder approval. The First Midwest board of directors is authorized to divide the preferred stock into series and, subject to applicable law, to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designations and preferences, priorities, qualifications, privileges, limitations, restrictions, options, conversion rights, dividend features, retirement features, liquidation features, redemption features and any other special or relative rights that may be desired for any such series. If and when any First Midwest preferred stock is issued, the holders of First Midwest preferred stock may have a preference over holders of First Midwest common stock in the payment of dividends, upon liquidation of First Midwest, in respect of voting rights and in the redemption of the capital stock of First Midwest.

**Common Stock**

*Dividends.* Subject to the rights of any series of preferred stock authorized by the board of directors as provided by First Midwest's restated certificate of incorporation, the holders of First Midwest common stock are entitled to dividends as and when declared by the First Midwest board of directors out of funds legally available for the payment of dividends.

*Voting Rights.* Each holder of First Midwest common stock has one vote for each share held on matters presented for consideration by the stockholders. Except as otherwise required by law or provided in any resolution adopted by First Midwest's board of directors with respect to any series of preferred stock, the holders of common stock possess all voting power. First Midwest's restated certificate of incorporation does not provide for cumulative voting in the election of directors.

*Classification of Board of Directors.* The First Midwest board of directors is divided into three classes, each serving three-year terms, so that approximately one-third of the directors of First Midwest are elected at each annual meeting of the stockholders of First Midwest. Classification of the First Midwest board of directors has the effect of decreasing the number of directors that could be elected in a single year by any person who seeks to elect its designees to a majority of the seats on the First Midwest board of directors and thereby could impede a change in control of First Midwest.

*Preemptive Rights.* The holders of First Midwest common stock have no preemptive rights and no right to convert their stock into any other securities.

*Redemption and Sinking Fund.* There are no redemption or sinking fund provisions applicable to First Midwest common stock. The holders of First Midwest common stock will have no liability for further calls or assessments and will not be personally liable for the payment of First Midwest's debts except as they may be liable by reason of their own conduct or acts.

*Issuance of Stock.* First Midwest's restated certificate of incorporation authorizes the First Midwest board of directors to authorize the issuance of shares of First Midwest common stock and any other securities without stockholder approval. However, First Midwest common stock is listed on the NASDAQ Stock Market, which requires stockholder approval of the issuance of additional shares of First Midwest common stock under certain circumstances. The DGCL also requires stockholder approval of the issuance of additional shares of First Midwest common stock under certain circumstances.

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*Liquidation Rights.* In the event of liquidation or dissolution, subject to the rights of any outstanding series of preferred stock and creditors of First Midwest, the holders of First Midwest common stock are entitled to share in all assets remaining for distribution to common stockholders according to their interests.

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**COMPARISON OF STOCKHOLDER RIGHTS**

*The rights of First Midwest stockholders are governed by the DGCL, and First Midwest's restated certificate of incorporation and amended and restated by-laws. The rights of NI Bancshares stockholders are governed by the DGCL and NI Bancshares' amended and restated certificate of incorporation and by-laws. After the merger, the rights of NI Bancshares and First Midwest stockholders will be governed by the DGCL and First Midwest's restated certificate of incorporation and amended and restated by-laws. The following discussion summarizes the material differences between the rights of NI Bancshares stockholders and the rights of First Midwest stockholders. We urge you to read First Midwest's restated certificate of incorporation, First Midwest's amended and restated by-laws, NI Bancshares' amended and restated certificate of incorporation, NI Bancshares' by-laws, and the DGCL carefully and in their entirety.*

**Authorized Capital Stock**

*First Midwest.* First Midwest's restated certificate of incorporation authorizes it to issue up to 150,000,000 shares of First Midwest common stock, par value \$0.01 per share and 1,000,000 shares of preferred stock, without par value. As of the record date of the NI Bancshares special meeting, there were 78,024,739 shares of First Midwest common stock outstanding and no shares of First Midwest preferred stock outstanding. See Description of First Midwest Capital Stock. As of the record date of the NI Bancshares special meeting, 1,160,043 shares of First Midwest common stock were reserved for issuance upon conversion or exercise of stock options and awards.

*NI Bancshares.* NI Bancshares' amended and restated certificate of incorporation provides that the authorized capital stock of NI Bancshares consists of 2,000,000 shares of common stock, par value \$1.25 per share, and 20,000 shares of preferred stock, par value \$50.00 per share. As of the record date of the NI Bancshares special meeting, there were 1,057,815 shares of NI Bancshares common stock outstanding, 85,802 shares of NI Bancshares common stock reserved for outstanding awards under the NI Bancshares Stock Plans and no shares of NI Bancshares preferred stock outstanding.

**Size of Board of Directors**

*First Midwest.* First Midwest's restated certificate of incorporation provides for First Midwest's board of directors to consist of not less than 3 nor more than 20 directors, with the exact number to be fixed by First Midwest's board of directors from time to time. The First Midwest board of directors currently has 13 directors.

*NI Bancshares.* NI Bancshares' amended and restated certificate of incorporation provides for NI Bancshares' board of directors to consist of not less than 3 nor more than 15 directors, with the exact number to be fixed by NI Bancshares' board of directors from time to time. NI Bancshares' board of directors currently has 10 directors.

**Classes of Directors**

*First Midwest.* First Midwest's restated certificate of incorporation provides that First Midwest's board is divided into three classes of directors as nearly equal in number as possible, with each class being

*NI Bancshares.* NI Bancshares' board of directors is classified and divided into three classes, with each class being elected to a staggered three-year term. Holders of shares of NI Bancshares

elected to a staggered three-year term. Accordingly, control of the board of directors of First Midwest cannot be changed in one year; at least two annual

common stock do not have the right to cumulate their votes in the election of directors.



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meetings must be held before a majority of the board of directors may be changed. Holders of shares of First Midwest common stock do not have the right to cumulate their votes in the election of directors.

**Removal of Directors**

*First Midwest.* Under First Midwest's restated certificate of incorporation, any First Midwest director may be removed only for cause and only by the affirmative vote of the holders of 67% of the shares then entitled to vote in the election of directors.

*NI Bancshares.* Under NI Bancshares amended and restated certificate of incorporation, any NI Bancshares director or directors may be removed for cause at any annual or duly called and held special meeting of NI Bancshares stockholders, by the affirmative vote of at least 80% of all shares of stock outstanding and entitled to vote in the election of directors.

**Filling Vacancies on the Board of Directors**

*First Midwest.* Under First Midwest's restated certificate of incorporation, any vacancy occurring in First Midwest's board of directors shall be filled by a majority vote of the remaining directors.

*NI Bancshares.* Under NI Bancshares bylaws, any vacancy occurring in NI Bancshares' board of directors, other than a vacancy occurring by reason of removal by the stockholders, shall be filled by the affirmative vote of 66-2/3% of the directors then in office or, if applicable, by the sole remaining director.

**Nomination of Director Candidates by Stockholders**

*First Midwest.* First Midwest's restated certificate of incorporation establishes procedures that stockholders must follow to nominate persons for election to First Midwest's board of directors. The stockholder making the nomination must deliver written notice to First Midwest's Secretary between 120 and 180 days prior to the date of the meeting at which directors will be elected. However, if less than 130-days' notice is given of the meeting date, that written notice by the stockholder must be delivered by the tenth day after the day on which the meeting date notice was given. Notice will be deemed to have been given more than 130 days prior to the annual meeting if First Midwest previously disclosed that the meeting in each year is to be held on a specific date.

*NI Bancshares.* NI Bancshares' bylaws establish procedures that stockholders must follow to nominate persons for election to NI Bancshares' board of directors. The stockholder making the nomination must deliver written notice to NI Bancshares' Secretary between 60 and 90 days before the annual meeting at which directors will be elected, and for a special meeting, not later than the close of business on the tenth day following the date on which notice to the stockholders of such meeting was sent or given. The nomination notice must set forth certain information about the person to be nominated including the information required for disclosure in proxy solicitations for director election pursuant to Exchange Act Regulation 14A and Schedule 13D pursuant to Regulation 13D-G under the Exchange Act. The nomination notice must also set forth certain information about the person

The nomination notice must set forth certain information about the person to be nominated, including information that is required pursuant to paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted

submitting the notice, including (i) the name and address, as they appear on NI

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by the SEC, and must also include the nominee's written consent to being nominated and to serving as a director if elected. The nomination notice must also set forth certain information about the person submitting the notice, including the stockholder's name and address and the class and number of First Midwest shares that the stockholder owns of record or beneficially. The person presiding at the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the provisions of First Midwest's restated certificate of incorporation, and the defective nomination will be disregarded.

Bancshares' books, of such stockholder and the name and principal business or residential address of any other beneficial stockholders known by such stockholder to support the nominee or nominees, and (ii) the class and number of shares of NI Bancshares stock which are beneficially owned by such stockholder on the date of the stockholder's notice and the number of shares owned beneficially by any other record or beneficial stockholders known by such stockholder to be supporting the nominee or nominees on the date of such stockholder notice. NI Bancshares' board of directors may, if the facts warrant, determine that a nomination was not made in accordance with the provisions of NI Bancshares' bylaws, and the defective nomination will be disregarded.

**Calling Special Meetings of Stockholders**

*First Midwest.* A special meeting of stockholders may be called only by First Midwest's board of directors, by First Midwest's Chairman of the board of directors or by First Midwest's President, provided, however, that holders of at least 51% of First Midwest's outstanding stock entitled to vote generally in the election of directors may also call a special meeting solely for the purpose of removing a director or directors for cause.

*NI Bancshares.* A special meeting of stockholders may only be called by NI Bancshares' board of directors, by NI Bancshares' Chairman of the board of directors or by NI Bancshares' Chief Executive Officer or President.

**Stockholder Proposals**

*First Midwest.* First Midwest's restated bylaws provide that stockholder proposals brought before any stockholder meeting shall be determined by a majority of the votes cast, unless a greater number is required by law or the First Midwest restated certificate of incorporation for the action proposed.

*NI Bancshares.* NI Bancshares' bylaws provide that a stockholder must give advance written notice to NI Bancshares of any proposal for business to be transacted at an annual or special meeting of stockholders. The notice must be in writing and must be delivered to the Secretary of NI Bancshares between 60 and 90 days prior to the date of the annual meeting or, for a special meeting, not later than the close of business on the tenth day following the day on which notice of such meeting is first sent or given to stockholders.

First Midwest's restated certificate of incorporation provides that a stockholder must give advance written notice to First Midwest of any proposal for business to be transacted at an annual or special meeting of stockholder. The notice must be in writing and must be delivered to the Secretary of First Midwest between 120 and 180 days before the stockholder meeting. However, if less than 130-days

Stockholder notice for proposals must set forth, as to each matter such stockholder proposes to bring before



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notice is given of the meeting date, that written notice by the stockholder must be delivered by the tenth day after the day on which the meeting date notice was given.

Stockholder notice for stockholder proposals must set forth, as to each matter such stockholder proposes to bring before the stockholder meeting, (i) a brief description of the business desired to be brought before the meeting and the reasons for why the stockholder favors the proposal, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of First Midwest capital stock which are owned beneficially or of record of such stockholder, and (iv) any material interest of the stockholder in such proposal.

the stockholder meeting, (i) the name and address, as it appears on the books of NI Bancshares, of the stockholder raising such new business, (ii) a representation that the stockholder is a holder of record of stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the proposal, (iii) the class and number of shares which are beneficially owned by the stockholder, (iv) the reasons for conducting the proposed business at the meeting, and (v) any material interest of the stockholder in the new business.

**Notice of Stockholder Meetings**

*First Midwest.* First Midwest's amended and restated by-laws provide that First Midwest must notify stockholders between 10 and 60 days before any stockholder meeting of the place, day and hour of the meeting and the general nature of the business to be considered at the meeting.

*NI Bancshares.* NI Bancshares' by-laws provide that NI Bancshares must notify stockholders between 10 and 60 days before any stockholder meeting of the place, day and hour of the meeting and the purpose or purposes for which the meeting is called.

**Stockholder Rights Plans  
( Poison Pill )**

*First Midwest.* First Midwest does not have a stockholder rights plan in place.

*NI Bancshares.* NI Bancshares does not have a stockholder rights plan in place.

**Indemnification of Directors  
and Officers**

*First Midwest.* First Midwest's amended and restated by-laws provide that First Midwest will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer, employee or agent of First Midwest or by reason of the fact that such person is or was serving at the request of the First Midwest as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and

*NI Bancshares.* NI Bancshares' by-laws provide that NI Bancshares will indemnify, in accordance with and to the full extent now or hereafter permitted by law, subject to the limits of applicable federal law and regulation, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of NI Bancshares), by reason of his or her acting as a director or officer of NI Bancshares (and NI Bancshares, in the discretion of its board of directors, may so indemnify a person by reason of the fact that he or she is or was an employee or

reasonably incurred by such person in                      agent of NI Bancshares or  
connection with such action, suit, or  
proceeding, but in

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each case only if and to the extent permitted under Delaware or federal law.

is or was serving at the request of NI Bancshares in any other capacity for or on behalf of NI Bancshares) against any liability or expense actually and reasonably incurred by such person in respect thereof. NI Bancshares is required to indemnify an officer or director in connection with an action, suit or proceeding initiated by such person only if such action, suit or proceeding was authorized by NI Bancshares' board of directors. Such indemnification is not exclusive of any other right to indemnification provided by law or otherwise.

**Amendments to Certificate of Incorporation and By-Laws**

*First Midwest.* First Midwest's restated certificate of incorporation provides that the affirmative vote of the holders of at least 80% of the outstanding shares of capital stock entitled to vote is required to alter, amend or repeal most provisions of the amended and restated certificate of incorporation; provided, however, if any proposal to alter, amend or repeal any such provision is approved by 80% of the board of directors, then in such case only the affirmative vote as is required by law or as may otherwise be required by the amended and restated certificate of incorporation of the outstanding shares of capital stock entitled to vote is required to alter, amend or repeal such provision. First Midwest's amended and restated by-laws may be amended only upon the affirmative vote of a majority of all of the directors or upon the affirmative vote of the holders of at least 67% of the voting power of the then outstanding shares of capital stock entitled to vote.

*NI Bancshares.* NI Bancshares' amended and restated certificate of incorporation provides that the corporation reserves the right to amend its certificate of incorporation in the manner prescribed at the time by the DGCL. NI Bancshares' by-laws may be amended only upon the affirmative vote of at least 80% of the voting power of all outstanding capital stock of the corporation entitled to vote thereon or by the vote of a majority of NI Bancshares' board of directors at any meeting thereof.

Table of Contents**SECURITY OWNERSHIP OF NI BANCSHARES DIRECTORS, NAMED EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth, as of January 11, 2016, holdings of NI Bancshares common shares by each present director and executive officer of NI Bancshares and all directors and executive officers as a group based on 1,057,815 common shares outstanding. The address for each director and executive officer listed below is c/o NI Bancshares Corporation, 230 West State Street, Sycamore, Illinois 60178.

Name	Number and Nature of Common Shares Beneficially Owned (1) (2) (3)	% of Outstanding Common Shares (2)
<b>Directors</b>		
Richard N. Anderson	16,687	1.6%
John H. Boies	17,600	1.7%
Evelina J. Cichy	2,106	*
Michael A. Cullen (Chief Executive Officer)	21,844	2.0%
James W. Dutton	62,324(4)	5.9%
Robert B. Johnson	6,609(5)	*
Robert C. Johnson	3,600	*
Kevin P. Poorten	500	*
Douglas C. Roberts	52,746	5.0%
Timothy P. Suter	206	*
<b>Other Executive Officers</b>		
Bradley V. Brown	9,161(6)	*
Charles C. Kaiser	14,933(7)	1.4%
David N. McCoy	5,489	*
R. David VanBuren	6,849	*
<b>All directors and executive officers as a group (14 in group)</b>	<b>220,654</b>	<b>20.8%</b>

\* Less than 1.0%.

(1) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of any of any common shares that such person or group has the right to acquire within 60 days after January 11, 2016.

(2) The amounts shown include shares held through the NI Bancshares Stock Plans, including 4,607 restricted stock awards and 42,166 stock options that have been issued to officers and directors of NI Bancshares and will be eligible to vote at the meeting pursuant to the terms of the NI Bancshares Stock Plans.



(3) Except as otherwise noted, the amounts shown include shares held jointly with such person's spouse (except where legally separated) or for minor children; shares held by a family trust as to which such person is a trustee with sole voting and investment power (or shared power with a spouse); or shares held in

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an Individual Retirement Account or pension plan or which such person is the sole beneficiary, and as to which such person has pass-through voting rights and investment power.

(4) Includes 5,072 shares of common stock held through Sycoban & Company, a partnership established to hold in its name certain securities for the account of NB&T and certain trusts, over which Mr. Dutton has sole or shared voting rights.

(5) Includes 5,900 shares of common stock held through Sycoban & Company, a partnership established to hold in its name certain securities for the account of NB&T and certain trusts, over which Mr. Johnson has sole or shared voting rights.

(6) Includes 2,400 shares of common stock held through Sycoban & Company, a partnership established to hold in its name certain securities for the account of NB&T and certain trusts, over which Mr. Brown has sole or shared voting rights.

(7) Includes 8,400 shares of common stock held through Sycoban & Company, a partnership established to hold in its name certain securities for the account of NB&T and certain trusts, over which Mr. Kaiser has sole or shared voting rights.

As of the record date, participants in the NI Bancshares Stock Plans held approximately 23% of the shares entitled to vote at the special meeting.

The following table identifies each person known to NI Bancshares, in addition to certain directors identified in the table above, as of January 11, 2016 to beneficially own more than 5% percent of the outstanding common shares of NI Bancshares based on 1,057,815 common shares outstanding:

Name	Number and Nature of Common Shares Beneficially Owned (1)	% of Outstanding Common Shares (1)
Jane Danielson	84,003	7.9%
Ann Pick	87,840	8.3%

(1) The amounts shown include shares held in trusts as to which each listed person is a beneficiary with sole or shared authority to vote such shares.

**STOCKHOLDER PROPOSALS**

NI Bancshares held its 2015 annual meeting of stockholders on April 16, 2015. If the merger is completed, NI Bancshares stockholders will become stockholders of First Midwest and there will be no future annual meetings of NI Bancshares stockholders. NI Bancshares' by-laws establish an advance notice procedure with regard to director nominations and other business proposals by stockholders to be presented at its next annual meeting, which is currently anticipated to be held on April 14, 2016 if the merger has not been completed by that date. For these nominations or other business proposals to be properly brought before NI Bancshares' 2016 annual meeting by a NI Bancshares stockholder, the stockholder must have delivered written notice to NI Bancshares not less 60 days nor more than 90 days prior to the date of the 2016 annual meeting. Such nominations and other business proposals must comply with all requirements set forth in NI Bancshares' bylaws and Delaware law.

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**VALIDITY OF SECURITIES**

The validity of the First Midwest common stock to be issued in connection with the merger has been passed upon for First Midwest by Chapman and Cutler.

**EXPERTS**

The consolidated financial statements of First Midwest Bancorp, Inc. appearing in First Midwest Bancorp, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2014, and the effectiveness of First Midwest Bancorp, Inc.'s internal control over financial reporting as of December 31, 2014 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and First Midwest Bancorp, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information of First Midwest Bancorp, Inc. for the three-month periods ended March 31, 2015 and March 31, 2014, for the three-month and six-month periods ended June 30, 2015 and June 30, 2014, and for the three-month and nine-month periods ended September 30, 2015 and September 30, 2014 incorporated by reference in this proxy statement/prospectus, Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated May 4, 2015, July 31, 2015 and November 2, 2015, included in First Midwest Bancorp, Inc.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, and incorporated by reference herein, state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young LLP is not subject to the liability provision of Section 11 of the Securities Act for their reports on the unaudited interim financial information because those reports are not a report or a part of the registration statement of which this proxy statement/prospectus is a part prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Securities Act of 1933.

The consolidated financial statements of NI Bancshares Corporation for the years ended December 31, 2014 and 2013 included herein beginning on page F-1 have been audited by BKD, LLP, independent registered public accounting firm, as set forth in their report, included therein. Such consolidated financial statements are included herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

**OTHER MATTERS**

As of the date of this proxy statement/prospectus, NI Bancshares' board of directors knows of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus. If any other matters properly come before the NI Bancshares special meeting, or any adjournments of that meeting, and are voted upon, the enclosed proxies will be deemed to confer discretionary authority on the individuals that they name as proxies to vote the shares represented by these proxies as to any of these matters. The individuals named as proxies intend to vote or not to vote in accordance with the recommendation of the board of directors of NI Bancshares.

**WHERE YOU CAN FIND MORE INFORMATION**

First Midwest has filed a registration statement with the SEC under the Securities Act that registers the distribution to NI Bancshares stockholders of the shares of First Midwest common stock to be issued in the merger.

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The registration statement, of which this proxy statement/prospectus is a part, including the attached exhibits and schedules, contains additional relevant information about First Midwest and its common stock, NI Bancshares and the combined company.

First Midwest is required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by First Midwest at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. First Midwest's filings with the SEC are also available to the public through the SEC's Internet website at <http://www.sec.gov>. You can also find information about First Midwest by visiting First Midwest's web site at [www.firstmidwest.com](http://www.firstmidwest.com). Information contained in these web sites does not constitute part of this proxy statement/prospectus.

The SEC allows First Midwest to incorporate by reference information into this proxy statement/prospectus. This means that First Midwest can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below that First Midwest has previously filed with the SEC (other than the portions of those documents not deemed to be filed). They contain important information about First Midwest and First Midwest's financial condition:

- Annual Report on Form 10-K for the year ended December 31, 2014;
  
- Definitive Proxy Statement on Schedule 14A for First Midwest's 2015 Annual Meeting of Stockholders filed on April 14, 2015;
  
- Quarterly Reports on Form 10-Q filed for the quarters ended March 31, June 30, and September 30, 2015;
  
- Current Reports on Form 8-K filed on May 27, 2015, September 22, 2015, November 12, 2015, November 18, 2015, December 14, 2015, January 13, 2016 and January 15, 2016; and
  
- The description of First Midwest common stock set forth in First Midwest's registration statement on Form 8-A filed on March 7, 1983 and any amendment or report filed for the purpose of updating any such description, including the form of First Midwest common stock certificate filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part.

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First Midwest incorporates by reference additional documents that it may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of NI Bancshares' special meeting (other than the portions of those documents not deemed to be filed). These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

First Midwest has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to First Midwest. NI Bancshares has supplied all information contained in this proxy statement/prospectus relating to NI Bancshares.

You can obtain any of the documents incorporated by reference in this proxy statement/prospectus through First Midwest or from the SEC through the SEC's Internet website at <http://www.sec.gov>. Documents incorporated by reference are available from First Midwest without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone as specified below:

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First Midwest Bancorp, Inc.  
Attention: Corporate Secretary  
One Pierce Place, Suite 1500  
Itasca, IL 60143  
(630) 875-7463

**In order for you to receive timely delivery of the documents in advance of the special meeting of NI Bancshares stockholders, you must request the information by February 22, 2016. If you request any incorporated documents, First Midwest will mail them to you by first-class mail, or another equally prompt means, within one business day after it receives your request.**

We have not authorized anyone to give any information or make any representation about the merger agreement or the merger or our companies that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that First Midwest has incorporated into this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.



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**INDEPENDENT AUDITOR S REPORT**

Board of Directors

NI Bancshares Corporation

Sycamore, Illinois

We have audited the accompanying consolidated financial statements of NI Bancshares Corporation, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for the years ended December 31, 2014, 2013, and 2012, and the related notes to the consolidated financial statements.

**Management s Responsibility for the Financial Statements.**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in

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the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NI Bancshares Corporation as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years ended December 31, 2014, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Decatur, Illinois

February 27, 2015

Table of Contents**Consolidated Balance Sheets**

At December 31

	2014	2013
<b>Assets</b>		
Cash and due from banks	\$ 18,715	\$ 25,838
Interest bearing deposits in other financial institutions	8,000	11,000
Cash and cash equivalents	26,715	36,838
Securities available for sale	128,224	149,467
Federal Home Loan Bank and Federal Reserve Bank stock	1,647	1,494
Loans held for sale	2,432	5,902
Loans, net of allowance for loan losses of \$3,906 in 2014 and \$3,240 in 2013	405,059	377,172
Land, premises and equipment, net	21,157	21,938
Other real estate owned	7,456	7,534
Mortgage servicing rights	2,447	2,524
Goodwill	3,265	3,265
Intangible assets		90
Bank owned life insurance	8,109	
Accrued interest receivable and other assets	5,343	5,682
<b>Total assets</b>	<b>\$ 611,854</b>	<b>\$ 611,906</b>
<b>Liabilities</b>		
Noninterest-bearing deposits	\$ 112,872	\$ 105,652
Interest-bearing deposits	436,068	443,993
Total deposits	548,940	549,645
Other borrowings	3,600	4,800
Accrued interest payable and other liabilities	3,178	3,092
<b>Total liabilities</b>	<b>555,718</b>	<b>557,537</b>
<b>Stockholders equity</b>		
Preferred stock, \$50 par value; 20,000 shares authorized; none issued		
Common stock, \$1.25 par value; 2,000,000 shares authorized; issued 1,676,425 and 1,675,735 shares at December 31, 2014 and 2013, respectively and outstanding of 1,049,789 and 1,049,059 respectively	2,094	2,093
Additional paid in capital	9,607	9,447
Retained earnings	72,747	72,222
Accumulated other comprehensive income (loss), net	506	(575)
Treasury stock, 626,676 shares in 2014 and 2013 at cost	(28,818)	(28,818)
<b>Total stockholders equity</b>	<b>56,136</b>	<b>54,369</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 611,854</b>	<b>\$ 611,906</b>

*(Dollars in thousands)**See accompanying notes to consolidated financial statements.*

Table of Contents**Consolidated Statements of Income**

Years ended December 31

	2014		2013		2012
<b>Interest income</b>					
Loans	\$ 18,371	\$	17,599	\$	18,233
Securities, taxable	1,491		1,354		2,038
Securities, tax-exempt	775		764		767
Interest bearing deposits in other financial institutions	104		205		251
Total interest income	20,741		19,922		21,289
<b>Interest expense</b>					
Deposits	2,114		2,882		3,493
Other borrowings	150		192		34
Total interest expense	2,264		3,074		3,527
<b>Net interest income</b>	18,477		16,848		17,762
Provision for loan losses	1,350		2,243		1,771
<b>Net interest income after provision for loan losses</b>	17,127		14,605		15,991
<b>Noninterest income</b>					
Trust fees	4,748		4,662		5,025
Income from mortgage banking	1,078		2,157		2,403
Service charges on deposit accounts	2,095		1,997		1,754
Realized securities gains, net	368		434		2,084
Other income	1,308		1,193		945
Total noninterest income	9,597		10,443		12,211
<b>Noninterest expense</b>					
Salaries and employee benefits	13,283		12,789		12,787
Occupancy expense	3,252		3,049		2,814
FDIC Insurance	524		517		668
Other real estate owned	1,582		1,430		640
Other expense	6,943		5,915		5,778
Total noninterest expense	25,584		23,700		22,687
<b>Income before income taxes</b>	1,140		1,348		5,515
Provision for income taxes	90		372		1,893
<b>Net income</b>	\$ 1,050	\$	976	\$	3,622
Basic earnings per share	\$ 1.00	\$	.94	\$	2.68
Diluted earnings per share	\$ 1.00	\$	.93	\$	2.68

*(Dollars in thousands)**See accompanying notes to consolidated financial statements.*

Table of Contents**Consolidated Statements of Comprehensive Income (Loss)**

At December 31

	2014	2013	2012
<b>Net income</b>	<b>\$ 1,050</b>	<b>\$ 976</b>	<b>\$ 3,622</b>
<b>Other comprehensive income (loss):</b>			
Unrealized appreciation (depreciation) on available for sale securities, net of taxes of \$682, \$(1,174), and \$3 for 2014, 2013, and 2012, respectively	\$ 1,323	\$ (2,280)	\$ 5
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$126, \$148, and \$709 for 2014, 2013, and 2012, respectively	242	286	1,375
	<b>\$ 1,081</b>	<b>\$ (2,566)</b>	<b>\$ (1,370)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 2,131</b>	<b>\$ (1,590)</b>	<b>\$ 2,252</b>

*(Dollars in thousands)**See accompanying notes to consolidated financial statements.***Consolidated Statements of Stockholders Equity**

Years ended December 31

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	Total Stockholders Equity
<b>Balances at December 31, 2011</b>	<b>\$ 2,049</b>	<b>\$ 8,237</b>	<b>\$ 68,735</b>	<b>\$ 3,361</b>	<b>\$ (10,756)</b>	<b>\$ 71,626</b>
Net income			3,622			3,622
Other comprehensive income (loss)				(1,370)		(1,370)
Purchase of 392,663 shares of treasury stock					(18,062)	(18,062)
Exercise of 24,502 stock options	30	865				895
Stock compensation - Directors	2	35				37
Stock compensation expense		113				113
Cash dividends declared \$.50 per share			(589)			(589)
<b>Balances at December 31, 2012</b>	<b>2,081</b>	<b>9,250</b>	<b>71,768</b>	<b>1,991</b>	<b>(28,818)</b>	<b>56,272</b>
Net income			976			976
Other comprehensive income (loss)				(2,566)		(2,566)
	1	21				22

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Exercise of 667 stock options							
Stock compensation expense		187					187
Cash dividends declared \$.50 per share				(522)			(522)
Issuance of restricted stock	11	(11)					
<b>Balances at December 31, 2013</b>	<b>2,093</b>	<b>9,447</b>	<b>72,222</b>	<b>(575)</b>	<b>(28,818)</b>		<b>54,369</b>
Net income			1,050				1,050
Other comprehensive income (loss)				1,081			1,081
Exercise of 1,000 stock options	1	31					32
Stock compensation expense		129					129
Cash dividends declared \$.50 per share				(525)			(525)
<b>Balances at December 31, 2014</b>	<b>\$ 2,094</b>	<b>\$ 9,607</b>	<b>\$ 72,747</b>	<b>\$ 506</b>	<b>\$ (28,818)</b>		<b>\$ 56,136</b>

*(Dollars in thousands)*

*See accompanying notes to consolidated financial statements.*

Table of Contents**Consolidated Statements of Cash Flows**

Years ended December 31

	2014	2013	2012
<b>Cash flows from operating activities</b>			
Net income	\$ 1,050	\$ 976	\$ 3,622
Adjustments to reconcile net income to net cash from operating activities:			
Amortization and accretion of securities	561	1,037	1,176
Amortization of intangibles	90	181	180
Realized security gains, net	(368)	(434)	(2,084)
Depreciation	1,449	1,373	1,057
Loss (gain) on sale of premises and equipment		1	(3)
Gain on sales of loans	(990)	(2,636)	(3,415)
Loss on sale and valuation adjustments of other real estate owned	1,821	1,029	1,058
(Increase) decrease in mortgage loans held for sale	4,129	2,137	(264)
Amortization of mortgage servicing rights	408	506	1,012
Deferred tax benefit	60	196	(68)
Stock compensation expense, net	129	187	113
Provision for loan losses	1,350	2,243	1,771
(Increase) decrease in interest receivable and other assets	948	(91)	419
Increase (decrease) in interest payable and other liabilities	(1,139)	1,969	1,904
Net cash provided by operating activities	9,498	8,674	6,478
<b>Cash flows from investing activities</b>			
Redemption of FHLB stock			847
Securities available for sale:			
Proceeds from sales	23,322	21,662	38,789
Proceeds from maturities and calls	27,735	38,844	37,290
Purchases	(28,523)	(72,497)	(79,835)
Sale of other real estate owned	2,289	875	1,772
Increase in loans, net	(33,269)	(57,900)	(16,274)
Purchases of premises and equipment	(838)	(1,122)	(5,942)
Proceeds from sale of premises and equipment	170	25	526
Purchase of bank-owned life insurance	(8,109)		
Net cash used by investing activities	(17,223)	(70,113)	(22,827)
<b>Cash flows from financing activities</b>			
Proceeds from (repayment of) holding company borrowing	(1,200)	(1,200)	6,000
Net increase (decrease) in deposit activities	(705)	22,639	11,049
Cash dividends paid	(525)	(522)	(589)
Purchases of treasury stock			(18,062)
Exercise of stock options	32	22	932
Net cash provided (used) by financing activities	(2,398)	20,939	(670)
Net change in cash and cash equivalents	(10,123)	(40,500)	(17,019)
Cash and cash equivalents at beginning of year	36,838	77,338	94,357
Cash and cash equivalents at end of year	\$ 26,715	\$ 36,838	\$ 77,338
<b>Supplemental cash flows information</b>			
Interest paid	\$ 2,278	\$ 3,118	\$ 3,589
Income taxes paid	\$ 741	\$ 1,173	\$ 2,249
Transfer from loans to other real estate owned	\$ 4,032	\$ 5,167	\$ 761

*(Dollars in thousands)*



*See accompanying notes to consolidated financial statements.*

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**I. Summary of Significant Accounting Policies**

*Principles of Consolidation.* The consolidated financial statements of NI Bancshares Corporation (the Corporation ) include the accounts of the Corporation and its wholly owned subsidiary, The National Bank & Trust Company of Sycamore (the Bank ). Significant intercompany transactions and accounts have been eliminated in consolidation.

*Nature of Operations.* The Bank provides a variety of financial services to individuals and businesses in DeKalb, LaSalle and Kane Counties through its ten locations. Branch offices include two locations in Sycamore, three locations in DeKalb, and one location in each of the towns of Elburn, Genoa, Leland, Serena and Sandwich. The Bank's primary deposit products are checking accounts, interest-bearing savings accounts, certificates of deposit, and individual retirement accounts. The Bank's primary lending products are commercial loans, real estate loans, and consumer loans. The Bank also maintains a trust department and originates residential mortgage loans for sale in the secondary market. The Bank is nationally chartered. Deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation. The Bank is subject to the regulations and supervision of the Office of the Comptroller of the Currency. The Corporation is subject to the regulations and supervision of the Federal Reserve Bank.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of the allowance for loan losses, the valuation of other real estate owned, the classification and valuation of securities, the determination of fair values of financial instruments, the impairment of goodwill and intangibles, mortgage servicing rights, and the status of contingencies.

*Significant Concentrations of Credit Risk.* Most of the Corporation's activities are with customers located within the Illinois counties of DeKalb, LaSalle and Kane. Note III discusses the types of lending in which the Corporation is engaged. The Corporation does not have any significant concentrations to any one industry, customer, or geographic location.

*Cash and Cash Equivalents.* For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are sold and purchased for one-day periods. Customer deposit and loan activities are reported on a net basis.

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At December 31, 2014, the Corporation's cash accounts exceeded federally insured limits by approximately \$11,973 thousand.

*Securities.* Securities classified as available for sale are those debt or equity securities that the Bank intends to hold for an unspecified period of time, but not necessarily to maturity. Unrealized gains or losses are reported as increases or decreases in a separate component of stockholders' equity, net of the related deferred tax effect.

The amortization of premiums and the accretion of discounts on securities are deducted from and added to interest income. Realized gains or losses on sales of securities are determined using the specific-identification method. Securities are written down to fair value when a decline in fair value is not temporary.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and

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(3) the intent of the Corporation to not sell the security or whether it is more likely than not that the Corporation will be required to sell the security before its anticipated recovery.

During 2014, 2013 and 2012, the bank initiated a strategy to sell certain held for sale investment securities, and subsequently reinvest the proceeds of those into similar held for sale investment securities. The strategy included extending the weighted average maturity of a portion of the portfolio for interest rate risk purposes, and accelerated the recognition of income from the portion that was sold. As a result, there was a gain of the sale of those securities of \$368, \$434 and \$2,084 thousand gross before taxes, respectively.

*Restricted Stock.* The Bank, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in the capital stock of the Federal Home Loan Bank. The Bank also maintains an investment in the capital stock of the Federal Reserve Bank (FRB). For financial reporting purposes, such stock is carried at cost, which approximates fair value, based on the redemption provisions of each institution.

*Loans Held for Sale.* Real estate loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the cost allocated to the servicing right. Gains or losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

*Servicing Rights.* Servicing rights are recognized as assets for the allocated value of retained servicing rights on sold loans. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of underlying loans as to loan term, rate and then, as to loan type. Fair value is based upon discounted cash flows using market based assumptions. Any impairment is reported as a valuation allowance, to the extent that fair value is less than the capitalized amount.

*Loans.* Loans are stated at the amount of unpaid principal, net of unearned income and the allowance for loan losses. Interest on loans is accrued daily and is computed on the principal balance outstanding.

Loan origination fees, net of certain direct organization costs, are deferred and recognized as an adjustment of the yield of the related loans.

In general, interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Consumer loans are typically charged off no later than 180 days past due. In all cases, loans are placed on

non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for the loans placed on non-accrual are reversed against interest income. Interest received on such loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

*Allowance for Loan Losses.* The allowance for loan losses is maintained at a level considered adequate to provide for probable incurred loan losses. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows discounted at the loan's effective interest rate. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. Loans are charged off to the allowance for loan losses when and to the extent that they are deemed uncollectible by management. Management makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other factors in determining the adequacy of the allowance.

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Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment and, accordingly, they are not separately identified for impairment disclosures.

*Land, Premises, and Equipment.* Land is stated at historical cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

*Other Real Estate Owned.* Real properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less the cost to sell at the date of the foreclosure establishing the new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less the estimated cost to sell. Revenue and expenses from the operations, changes in the valuation of the property, and gain or loss on the disposition of the property are included in other expenses or other income as incurred.

*Earnings Per Share.* Basic earnings per share is calculated based on weighted-average common shares outstanding. Diluted earnings per share includes the dilutive effect of additional potential common shares issuable under stock options and restricted stock awards.

*Goodwill and Intangible Assets.* Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill and indefinite-lived intangibles are evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the reporting unit or indefinite-lived intangible asset is less than its carrying amount. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then the goodwill or indefinite-lived intangible is tested further for impairment. If the implied fair value of goodwill or the fair value of the indefinite-lived intangible is lower than their carrying

amounts, an impairment loss is recognized in an amount equal to the difference. Subsequent increases in goodwill value are not recognized in the financial statements.

Intangible assets consist of core deposits arising from a whole bank acquisition. They are initially measured at fair value and then are amortized over their estimated useful lives. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

*Loan Commitments and Related Financial Instruments.* Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

*Impairment of Long-Lived Assets.* The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to

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be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

*Transfers of Financial Assets.* Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

*Trust Assets and Fees.* Assets of the Trust Department are not included in these consolidated financial statements because they are not assets of the Corporation or the Bank. Fee income generated from trust services is primarily recorded on the accrual method.

*Income Taxes.* Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that the tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

*Comprehensive Income (Loss).* Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, net of taxes. These unrealized gains and losses, net of taxes, are also recognized as separate components of equity.

*Loss Contingencies.* Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are matters that will have a material effect to the Corporation, the Bank, or the Bank's Trust Department or on the financial statements of the Corporation.



*Stock Compensation Plans.* Compensation cost is measured using the fair value of an award on the grant dates and is recognized over the service period, which is usually the vesting period. Compensation cost related to the non-vested portion of awards outstanding is based on the grant-date fair value of those awards. The Corporation has an incentive stock option plan and restricted stock awards which are described more fully in Note IX.

*Treasury Stock.* Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

During 2012 the Corporation purchased 392,663 treasury shares. This was primarily accomplished through two transactions, the first involving a negotiated purchase of shares from certain members of the Dutton Family and their affiliates, and the second involving a tender offer with our shareholders. These treasury shares were all repurchased at \$46 per share, a discount to the current book value per share. Detailed information related to these transactions was provided to stockholders in an Offer to Purchase, dated November 1, 2012. The total cost to capital of the Corporation was \$16,940 thousand for these treasury shares.

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Amortized cost and fair values of securities classified as available for sale, with gross unrealized gains and losses at December 31, are summarized as follows (Dollars in thousands):

	U.S. Treasury	U.S. Government- Sponsored Entities	Obligations of States and Political Subdivisions	Certificates of Deposit	Equity Securities	Total Securities
<b>2014</b>						
Amortized cost	\$ 14,470	\$ 79,816	\$ 31,728	\$ 988	\$ 456	\$ 127,458
Gross unrealized gains	2	536	694			1,232
Gross unrealized losses	(28)	(233)	(205)			(466)
Fair Value	\$ 14,444	\$ 80,119	\$ 32,217	\$ 988	\$ 456	\$ 128,224
<b>2013</b>						
Amortized cost	\$ 15,007	\$ 94,907	\$ 37,030	\$ 988	\$ 2,406	\$ 150,338
Gross unrealized gains	10	117	854			981
Gross unrealized losses	(2)	(926)	(924)			(1,852)
Fair Value	\$ 15,015	\$ 94,098	\$ 36,960	\$ 988	\$ 2,406	\$ 149,467

The fair values of debt securities classified as available for sale, by contractual maturity, at December 31, 2014, are as follows (Dollars in thousands):

	1 year or less	Over 1-5 years	Over 5-10 years	Over 10 years	Total
U.S. Treasury	\$ 5,000	\$ 9,444	\$	\$	\$ 14,444
U.S. government-sponsored entities	17,057	47,722	15,340		80,119
Obligations of states and political subdivisions	3,964	9,859	18,394		32,217
Certificates of deposit		988			988
Total	\$ 26,021	\$ 68,013	\$ 32,734	\$	\$ 127,768

Expected maturities may differ from contractual maturities because the borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Other equity securities include mutual funds, which have no maturity date. Securities with a market value of \$122.0 million and \$121.0 million at December 31, 2014 and 2013, respectively, are pledged to secure public deposits and other purposes as required or permitted by law.

Amortized cost, gross realized gains, gross realized losses, and sales proceeds from available for sale securities sold, matured or called at December 31, are summarized as follows (Dollars in thousands):

	2014	2013	2012
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Amortized cost	\$	50,689	\$	60,072	\$	73,995
Gross realized gains		546		435		2,093
Gross realized losses		(178)		(1)		(9)
Proceeds	\$	51,057	\$	60,506	\$	76,079

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The following tables present investments' gross unrealized losses and fair value at December 31, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (Dollars in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>2014</b>						
U.S. Treasury	\$ 9,444	\$ (28)	\$	\$	\$ 9,444	\$ (28)
U.S. government-sponsored entities	17,529	(43)	15,009	(190)	32,538	(233)
Obligations of states and political subdivisions	1,983	(17)	6,475	(188)	8,458	(205)
	\$ 28,956	\$ (88)	\$ 21,484	\$ (378)	\$ 50,440	\$ (466)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>2013</b>						
U.S. Treasury	\$ 3,994	\$ (2)	\$	\$	\$ 3,994	\$ (2)
U.S. government-sponsored entities	72,221	(926)			72,221	(926)
Obligations of states and political subdivisions	12,042	(597)	3,130	(327)	15,172	(924)
	\$ 88,257	\$ (1,525)	\$ 3,130	\$ (327)	\$ 91,387	\$ (1,852)

At December 31, 2014, 37 U.S. Treasury, U.S. government-sponsored entities, and obligations of states and political subdivisions securities have an unrealized loss with aggregate depreciation of less than one-quarter percent of the Corporation's amortized cost basis. Management views fluctuation in agencies as temporary market fluctuations. There were 19 securities with an unrealized loss for over 12 months. The fair value is expected to recover as the bonds approach maturity. The nature and quality of these investments remain adequate and continue to have a Moody's rating of an A or above, as required by Bank policy. Management views the losses associated with U.S. Treasury, U.S. government-sponsored entities, and obligations of states and political subdivisions securities to also be temporary market fluctuations.

### III. Loans

Classes of loans at December 31 include (Dollars in thousands):

	2014	2013
Construction and land development	\$ 14,199	\$ 19,798
Farmland	20,488	17,397
Residential real estate	115,291	104,873

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Nonresidential real estate	137,499	135,014
Agricultural production	12,530	12,968
Commercial	45,940	41,273
Loans to individuals	57,280	42,883
Other	5,738	6,206
Total loans and leases	\$ 408,965	\$ 380,412
Allowance for loan losses	(3,906)	(3,240)
Total loans and leases, net	\$ 405,059	\$ 377,172

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The Bank maintains lending policies and procedures designed to focus lending efforts on the type, location and duration of loans most appropriate for its business model and markets. The Bank's principal lending activity is the origination of residential and commercial real estate loans, commercial loans, consumer loans and home equity lines of credit. The primary lending market is located within the Illinois counties of DeKalb, LaSalle and Kane. Generally, loans are collateralized by assets of the borrower and guaranteed by the principals of the borrowing entity.

The Board of Directors reviews and approves the Bank's lending policy on an annual basis. Quarterly, the Board reviews the allowance for loan losses and reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans.

The Bank does not accrue interest on any asset which is maintained on a cash basis because of deterioration in the financial position of the borrower, any asset for which payment in full of interest or principal is not expected, or any asset upon which principal or interest has been in default for a period of ninety days or more unless it is both well secured and in the process of collection. A non-accrual asset may be restored to an accrual status when none of its principal and interest is due and unpaid, or when it otherwise becomes well secured and in the process of collection.

The Bank periodically performs an independent loan review of outstanding loans through the use of an outside third party. The primary objective of the independent loan review function is to ensure the maintenance of a quality loan portfolio and minimize the potential for loan losses. The loan review engagement is responsible for reviewing a sample of existing loans for compliance with internal policies and procedures. In addition to reviewing loans for compliance, the loan review analyzes the appropriateness and timeliness of risk grading and problem loan identification by loan officers.

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. This analysis is performed on an annual basis, at a minimum. The Corporation uses the following definitions for risk ratings:

*Internal Risk Categories.* Loan grades are numbered 1 through 7. Grades 1 through 4 are considered pass grades. The grade of 5, or Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, and 7, or Doubtful, refer to assets that are classified. The use and application of these grades by the bank will be uniform and shall conform to the bank's policy.

*Pass (1)* loans are of superior quality with excellent credit strength and repayment ability providing a nominal credit risk.

*Pass (2)* loans are of above average credit strength and repayment ability providing only a minimal credit risk.

*Pass (3)* loans of reasonable credit strength and repayment ability providing an average credit risk due to one or more underlying weaknesses.

*Pass (4)* loans of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses. New borrowers are typically not underwritten within this classification.

*Special Mention (5)* assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

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*Substandard (6)* loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

*Doubtful (7)* loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

*Residential 1-4 Family:* The residential 1-4 family real estate are generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

*Non-residential Real Estate:* Non-residential real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

*Construction and Land Development Real Estate:* Construction and land development real estate loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

*Commercial:* The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the



economic conditions that impact the cash flow stability from business operations.

*Loans to individuals:* The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Bank's market area) and the creditworthiness of a borrower.

*Agricultural Production and Farmland Loans:* Agricultural production loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Farmland loans are primarily comprised of loans for the purchase of farmland. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry developed estimates of farm input costs an expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop. Loan-to-value ratios on loans secured by farmland generally do not exceed 65% and have amortization periods limited to twenty-five years. Federal government-assistance lending programs through the Farm Service Agency are used to mitigate the level of credit risk when deemed appropriate.

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The following table presents the credit risk profile of the Bank's loan portfolio based on internal rating category and payment activity as of December 31, 2014 and 2013 (Dollars in thousands):

	Construction	Farmland	Residential Real Estate	Non Residential Real Estate	Agricultural Production	Commercial	Loans to Individuals	Other
<b>2014</b>								
Loan Class								
Pass	\$ 11,274	\$ 20,488	\$ 109,412	\$ 135,059	\$ 12,530	\$ 45,386	\$ 57,280	\$ 5,738
Special mention				1,261				
Substandard	2,925		5,879	1,179		554		
Doubtful								
Total	\$ 14,199	\$ 20,488	\$ 115,291	\$ 137,499	\$ 12,530	\$ 45,940	\$ 57,280	\$ 5,738

	Construction	Farmland	Residential Real Estate	Non Residential Real Estate	Agricultural Production	Commercial	Loans to Individuals	Other
<b>2013</b>								
Loan Class								
Pass	\$ 16,327	\$ 16,505	\$ 98,646	\$ 129,428	\$ 12,128	\$ 38,282	\$ 42,883	\$ 6,206
Special mention		892	5,667	448	840	2,503		
Substandard	3,471		560	5,138		488		
Doubtful								
Total	\$ 19,798	\$ 17,397	\$ 104,873	\$ 135,014	\$ 12,968	\$ 41,273	\$ 42,883	\$ 6,206

The Bank evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at the earlier date if collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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The following tables present the Corporation's loan portfolio aging analysis at December 31 (Dollars in thousands):

	Construction	Farmland	Residential Real Estate	Non Residential Real Estate	Agricultural Production	Commercial	Loans to Individuals	Other	Total
<b>2014</b>									
30-89 days past due	\$	\$	\$ 192	\$	\$	\$	\$ 707	\$ 23	\$ 922
90 days or greater past due or nonaccrual			168	6,327		551	92	2	7,140
Total past due and nonaccrual			360	6,327		551	799	25	8,062
Current loans	14,199	20,488	114,931	131,172	12,530	45,389	56,481	5,713	400,903
Total loans receivable	14,199	20,488	115,291	137,499	12,530	45,940	57,280	5,738	408,965
Total loans 90 days or greater and accruing	\$	\$	\$	\$ 5,711	\$	\$	\$ 92	\$ 2	\$ 5,805
<b>2013</b>									
30-89 days past due	\$	\$	\$ 312	\$ 57	\$	\$	\$ 529	\$ 28	\$ 926
90 days or greater past due or nonaccrual			770	4,791		347	75		5,983
Total past due and nonaccrual			1,082	4,848		347	604	28	6,909
Current loans	19,798	17,397	103,791	130,166	12,968	40,926	42,279	6,178	373,503
Total loans receivable	19,798	17,397	104,873	135,014	12,968	41,273	42,883	6,206	380,412
Total loans 90 days or greater and accruing	\$	\$	\$ 209	\$ 3,683	\$	\$	\$ 75	\$	\$ 3,977

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include non-performing commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2014 and 2013, the Corporation had \$895 and \$907 thousand, respectively, of commercial and non-residential real estate loans, \$76 and \$76 thousand, respectively, in residential loans, and \$1 and \$5 thousand, respectively, in consumer loans that were modified in troubled debt restructurings and impaired and that were performing in accordance with their modified terms.

When economic concessions have been granted to borrowers who have experienced financial difficulties, the loan is considered a troubled debt restructuring. These concessions typically result from our loss mitigation activities and could include: reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Troubled debt restructurings are considered impaired at the time of restructuring and typically are returned to accrual status after considering the borrower's sustained repayment performance, as agreed, for a reasonable period of at least six months or once the granted concessions have ended or are no longer applicable.

As of December 31, 2014 and 2013, the Bank had troubled debt restructurings, all modification of payment terms, with a recorded balance, at original cost, of \$895 and \$907 thousand, respectively, and consists of four commercial and non-residential real estate loans for both years, which are all performing in accordance with the modified terms of the loan. All four loans were added as troubled debt restructuring during the fourth quarter of 2013. There was no difference between pre-modification and post-modification balances. As of December 31, 2014 and 2013, the loans totaling \$895 and \$907 thousand, respectively, are on non-accrual and considered impaired by the Bank. Based on the fair value of the

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collateral, specific reserves required on the loans totaled \$108 and \$98 thousand as of December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013,

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there were no defaults of loans that had been modified as a troubled debt restructuring in the 12 month period prior to default.

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The following tables present the impaired loan balances (loans on non-accrual status) at December 31 (Dollars in thousands):

	Construction	Farmland	Residential Real Estate	Non Residential Real Estate	Agricultural Production	Commercial	Loans to Individuals	Other	
<b>2014</b>									
<b>Loans without a specific valuation allowance</b>									
Recorded balance	\$	\$	\$ 92	\$	\$	\$	487	\$	
Unpaid principal balance			92				487		
Specific allowance									
Average investment in impaired loans			278	4,199			102		
<b>Loans with a specific valuation allowance</b>									
Recorded balance	\$	\$	\$ 76	\$ 616	\$		63		
Unpaid principal balance			76	616			63		
Specific allowance			66	108			31		
Average investment in impaired loans			369	1,148			694		
<b>Total loans receivable</b>									<b>Total</b>
Recorded balance	\$	\$	\$ 168	\$ 616	\$	\$	551	\$	\$ 1,335
Unpaid principal balance	\$	\$	\$ 168	\$ 616	\$	\$	551	\$	\$ 1,335
Specific allowance	\$	\$	\$ 66	\$ 108	\$	\$	31	\$	\$ 205
Average investment in impaired loans	\$	\$	\$ 648	\$ 5,346	\$	\$	796	\$	\$ 6,790
<b>2013</b>									
<b>Loans without a specific valuation allowance</b>									
Recorded balance	\$	\$	\$ 299	\$ 1,098	\$	\$	\$	\$	
Unpaid principal balance			\$ 299	\$ 1,098					
Specific allowance									
Average investment in impaired loans		4,037	280	5,226			1,712		
<b>Loans with a specific valuation allowance</b>									
Recorded balance	\$	\$	\$ 261	\$	\$		347	\$	
Unpaid principal balance			261				347		
Specific allowance			112				107		
Average investment in impaired loans			306	8,201			530		
<b>Total loans receivable</b>									<b>Total</b>
Recorded balance	\$	\$	\$ 560	\$ 1,098	\$	\$	347	\$	\$ 2,005
Unpaid principal balance	\$	\$	\$ 560	\$ 1,098	\$	\$	347	\$	\$ 2,005
Specific allowance	\$	\$	\$ 112	\$	\$	\$	107	\$	\$ 219
Average investment in impaired loans	\$	4,037	\$ 586	\$ 13,427	\$	\$	2,242	\$	\$ 20,292

There was no interest income recognized on a cash basis or accrual basis, for 2014 or 2013 on impaired loans.



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The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment methods at December 31 (Dollars in thousands):

	Construction	Farmland	Residential Real Estate	Non Residential Real Estate	Agricultural Production	Commercial	Loans to Individuals	Other Loans	Unallocated	Total
<b>2014</b>										
<b>Allowance for loan losses:</b>										
Balance, beginning of year	\$ 473	\$ 19	\$ 700	\$ 1,321	\$ 14	\$ 561	\$ 122	\$ 30	\$	\$ 3,240
Provision charged to expense	(289)	68	762	(27)	21	(96)	699	212		1,350
Losses charged off			(324)	(179)		(71)	(270)	(132)		(976)
Recoveries	34		49	13		18	155	23		292
Balance, end of year	\$ 218	\$ 87	\$ 1,187	\$ 1,128	\$ 35	\$ 412	\$ 706	\$ 133	\$	\$ 3,906
Ending balance: individually evaluated for impairment	\$	\$	\$ 66	\$ 108	\$	\$ 31	\$	\$	\$	\$ 205
Ending balance: collectively evaluated for impairment	\$ 218	\$ 87	\$ 1,121	\$ 1,020	\$ 35	\$ 381	\$ 706	\$ 133	\$	\$ 3,701
<b>Loans:</b>										
Ending balance	\$ 14,199	\$ 20,488	\$ 115,291	\$ 137,499	\$ 12,530	\$ 45,940	\$ 57,280	\$ 5,738	\$	\$ 408,965
Ending balance: individually evaluated for impairment	\$	\$	\$ 168	\$ 616	\$	\$ 551	\$	\$	\$	\$ 1,335
Ending balance: collectively evaluated for impairment	\$ 14,199	\$ 20,488	\$ 115,123	\$ 136,883	\$ 12,530	\$ 45,389	\$ 57,280	\$ 5,738	\$	\$ 407,630
<b>2013</b>										
<b>Allowance for loan losses:</b>										
Balance, beginning of year	\$ 243	\$ 23	\$ 848	\$ 2,040	\$ 17	\$ 456	\$ 285	\$ 7	\$ 52	\$ 3,971
Provision charged to expense	230	(4)	378	1,077	(3)	630	(150)	137	(52)	2,243
Losses charged off			(543)	(1,830)		(538)	(203)	(141)		(3,255)
Recoveries			17	34		13	190	27		281
Balance, end of year	\$ 473	\$ 19	\$ 700	\$ 1,321	\$ 14	\$ 561	\$ 122	\$ 30	\$	\$ 3,240
Ending balance: individually evaluated for impairment	\$	\$	\$ 112	\$	\$	\$ 107	\$	\$	\$	\$ 219
Ending balance: collectively evaluated for impairment	\$ 473	\$ 19	\$ 588	\$ 1,321	\$ 14	\$ 454	\$ 122	\$ 30	\$	\$ 3,021
<b>Loans:</b>										
Ending balance	\$ 19,798	\$ 17,397	\$ 104,873	\$ 135,014	\$ 12,968	\$ 41,273	\$ 42,883	\$ 6,206	\$	\$ 380,412
Ending balance: individually evaluated for impairment	\$	\$	\$ 560	\$ 1,098	\$	\$ 347	\$	\$	\$	\$ 2,005



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Ending balance:  
collectively  
evaluated for  
impairment

\$	19,798	\$	17,397	\$	104,313	\$	133,916	\$	12,968	\$	40,926	\$	42,883	\$	6,206	\$	378,407
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Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

**Allowance for Loan Losses**

The allowance for loan and lease losses ( allowance ) represents management's estimate of the reserve necessary to adequately account for probable losses that could ultimately be realized from current loan exposures. In determining the adequacy of the allowance, management relies predominately on a disciplined credit review and approval process. The review process is directed by overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty.

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Loans for which it is probable that the Bank will not collect all principal and interest due according to the contractual terms are identified as impaired. The impairment for each applicable loan is quantified, and specific loss exposures are allocated within the allowance. Loans that are in nonaccrual status are generally considered impaired.

A detailed analysis is performed on each loan that is not impaired, but poses sufficient risk to warrant in-depth review. These are loans that have been classified as substandard or are on the Bank's internal watch list. Due to the elevated risk inherent in these loans, management has determined that it is appropriate to quantify the potential loss within the pool of classified loans by estimating each loan's collateral shortfall. These collateral shortfall estimates are incorporated in the determination of the adequacy of the allowance.

In estimating the risk of loss in the remaining portion of the loan portfolio identified as non-classified, management establishes base loss estimations which are derived from the historical loss experience over the past three calendar years. These base loss estimations are then adjusted after consideration of nine different qualitative factors.

#### IV. Loan Servicing

Real estate loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage loans serviced for others was \$352.8 million and \$356.7 million at December 31, 2014 and 2013, respectively. The fair value of mortgage servicing rights at December 31, 2014 and 2013 was approximately \$3.1 million and \$3.3 million, respectively. The fair value of servicing rights was determined using discount rates ranging from 9.50 to 10.00 percent and prepayment speeds principally ranging from 9.03 to 11.20 percent, depending on the stratification of the specific right.

The Corporation changed its method of amortizing mortgage servicing rights during 2013 from the straight-line amortization method to a methodology based on anticipated prepayment assumptions. Amortization expense for 2013 would have been \$1,068 thousand if the straight-line method was used.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were \$3.7 million and \$4.1 million at December 31, 2014 and 2013, respectively.

*Following is a summary of the mortgage servicing rights capitalized and amortized (Dollars in thousands):*

	2014		2013		2012	
Balance, beginning of year	\$	2,524	\$	2,183	\$	1,876
Mortgage servicing rights capitalized		331		847		1,319
Mortgage servicing rights amortized		(408)		(506)		(1,012)
Recorded balance, end of year	\$	2,447	\$	2,524	\$	2,183
Fair value, end of year	\$	3,138	\$	3,273	\$	2,183



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A summary of land, premises, and equipment by asset classification at December 31 is as follows (Dollars in thousands):

	2014		2013	
Land	\$	7,895	\$	7,895
Premises		17,697		18,297
Furniture, fixtures, and equipment		7,867		7,917
Vehicles		110		110
		33,569		34,219
Accumulated depreciation		(12,412)		(12,281)
Land, premises, and equipment, net	\$	21,157	\$	21,938

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$1.4 million, \$1.4 million and \$1.1 million, respectively. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2014, pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows for years ended December 31 (Dollars in thousands):

2015		2016		2017		2018		2019		Thereafter		Total	
\$	303	\$	306	\$	191	\$	79	\$	79	\$	298	\$	1,257

The leases contain options to extend for periods from five to 50 years. The cost of exercising such options is not included above. Total rent expense for the years ended December 31, 2014, 2013 and 2012 amounted to approximately \$336, \$334, and \$426 thousand, respectively.

**VI. Deposits**

Time deposits greater than or equal to \$100 thousand were \$65.3 million and \$72.3 million at December 31, 2014 and 2013, respectively. Interest expense on these deposits was \$0.8 million, \$1.1 million, and \$1.4 million in 2014, 2013 and 2012, respectively.

At December 31, 2014 the scheduled maturities of time deposits are as follows (Dollars in thousands):

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2015	2016	2017	2018	2019	Total
\$ 66,577	\$ 26,867	\$ 32,074	\$ 14,084	\$ 11,810	\$ 151,412

*Interest-bearing deposits at December 31 consist of the following (Dollars in thousands):*

	NOW and Money Market	Savings	Time, \$100,000 and over	Time, Other	Total
2014	\$ 229,355	\$ 55,301	\$ 65,267	\$ 86,145	\$ 436,068
2013	\$ 225,263	\$ 53,326	\$ 72,339	\$ 93,065	\$ 443,993

The aggregate amount of deposit overdrafts included in loans at December 31, 2014 and 2013 was \$244 and \$191 thousand, respectively.

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**VII. Borrowings**

The Bank has the ability to borrow from the Federal Home Loan Bank, with borrowings collateralized by first mortgage loans, multifamily, and farmland loans under a blanket lien agreement in the amount of approximately \$60 million. Based on this collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to approximately \$38 million at year-end 2014.

During 2012, and in conjunction with the purchase of 392,663 treasury shares of stock, the Corporation borrowed \$6 million from a correspondent bank pursuant to a newly established line of credit. The borrowings bear an interest rate equal to the lender's prime rate, with a minimum rate of 3.25%. At December 31, 2014, the rate was 3.25% and the balance outstanding was \$3.6 million. The Corporation was required to make quarterly interest-only payments on this line of credit through December 31, 2013, after which, in addition to quarterly interest payments, the Corporation must make equal annual principal payments of \$1.2 million through December 31, 2017, when the line of credit matures. There is no prepayment penalty associated with the borrowing, should the Corporation decide to repay the debt prior to maturity.

As of December 31, 2014, the Bank was not in compliance with one of the note covenants relating to annual return on assets. The note contains certain covenants including financial covenants for the Bank which must be met at all times. Should the Corporation or the Bank be found not compliant with them during the term of the note, there are remedies the issuing financial institution shall have the right to enforce including that the note could become immediately due and payable. The issuing financial institution has approved the noncompliance for the fourth quarter ended December 31, 2014.

**VIII. Income Taxes**

*Income taxes reflected in the consolidated statements of operations consist of the following (Dollars in thousands):*

2014

2013